

Committee on Revenue  
Summary and Disposition of Bills

One Hundred Fourth Legislature  
First Session  
June, 2015

Senator Mike Gloor, Chair

---

---

# COMMITTEE ON REVENUE

**104th Legislature**

**First Session - 2015**

## *Members of Committee*

Senator Mike Gloor, Chairperson .....	Grand Island
Senator Paul Schumacher, Vice Chairperson .....	Columbus
Senator Lydia Brasch .....	Bancroft
Senator Al Davis .....	Hyannis
Senator Burke Harr .....	Omaha
Senator Jim Smith .....	Papillion
Senator Jim Scheer .....	Norfolk
Senator Kate Sullivan .....	Cedar Rapids

## *Committee Staff*

Committee Counsel .....	Mary Jane Egr Edson
Research Analyst .....	Kay Bergquist
Committee Clerk .....	Krissa Delka

---

---

## TABLE OF CONTENTS

<b>BILLS REFERENCED TO THE REVENUE COMMITTEE – 2015</b> .....	1
---	---

### **INCOME TAX**

LB 20.....	9
LB 63.....	9
LB 69.....	9
LB 75.....	10
LB 165.....	11
LB 218.....	11
LB 228.....	11
LB 267.....	12
LB 357.....	12
LB 454.....	15
LB 523.....	15
LB 591.....	16
LB 614.....	17

### **PROPERTY TAX**

LB 71.....	18
LB 76.....	18
LB 178.....	19
LB 186.....	19
LB 210.....	20
LB 217.....	21
LB 230.....	21
LB 256.....	22
LB 259.....	22
LB 277.....	23
LB 280.....	23
LB 293.....	24
LB 325.....	25
LB 345.....	25
LB 350.....	25
LB 356.....	26
LB 361.....	26
LB 384.....	27
LB 398.....	27
LB 414.....	27
LB 424.....	28
LB 428.....	28
LB 476.....	28
LB 521.....	29
LB 574.....	31
LB 615.....	31

## **SALES TAX**

LB 52.....	33
LB 74.....	33
LB 153.....	33
LB 191.....	34
LB 200.....	34
LB 216.....	34
LB 249.....	35
LB 278.....	35
LB 284.....	35
LB 285.....	35
LB 386.....	36
LB 391.....	36
LB 419.....	37
LB 438.....	37
LB 466.....	37
LB 542.....	38
LB 613.....	38
LB 653.....	38

## **TAX CREDITS & INCENTIVES**

LB 26.....	40
LB 62.....	41
LB 64.....	41
LB 255.....	42
LB 322.....	42
LB 331.....	43
LB 372.....	44
LB 396.....	44
LB 423.....	45
LB 470.....	46
LB 495.....	46
LB 510.....	47
LB 559.....	47
LB 573.....	47
LB 645.....	48

## **MISCELLANEOUS**

LB 68.....	50
LB 70.....	50
LB 73.....	51
LB 123.....	51
LB 156.....	52
LB 162.....	52
LB 170.....	52
LB 171.....	53
LB 201.....	53

LB 246.....	53
LB 260.....	53
LB 261.....	54
LB 321.....	54
LB 408.....	55
LB 538.....	56
LB 550.....	57
LB 587.....	58
LB 608.....	59
LB 610.....	59

## Bills Referenced to the Revenue Committee - By Bill Number

### 2015 Session – 104<sup>th</sup> Legislative Session

LB #	Introducer	One Liner	Hearing Date	Exec Session Date	Committee Amendments	Disposition at Sine Die	Signed by Governor	Comments
<b>LB 20</b>	Krist	Change the income tax exemptions for social security benefits and military retirement benefits	2/4/15	None		In Committee		
<b>LB 26</b>	Krist	Adopt the Choice for the Advancement of Nebraska Children in Education Act and provide for tax credits	3/18/15	None		In Committee		
<b>LB 52</b>	Scheer	Exempt sanitary drainage districts from sales and use taxes	1/23/15	1/28/15	None	Passed, 46-0-3	Approved, 3/5/15	None
<b>LB 62</b>	Schumacher	Provide an income tax deduction for loan principal payments for graduate degrees	2/4/15	None		In Committee		
<b>LB 63</b>	Schumacher	Provide an income tax deduction for the amount of income subjected to Social Security taxes	1/28/15	None		In Committee		
<b>LB 64</b>	Schumacher	Provide an income tax deduction for the income earned from second jobs	3/4/15	None		In Committee		
<b>LB 68</b>	Schumacher	Eliminate stepped-up basis of inherited real estate	1/22/15	None		In Committee		
<b>LB 69</b>	Schumacher	Provide an income tax credit for corporate income taxes paid	2/5/15	None		In Committee		
<b>LB 70</b>	Schumacher	Authorize an occupation tax on certain mechanical amusement devices	1/23/15	1/30/15	AM 118	Passed, 35-11-3	Vetoed, 5/27/15	-Committee AM 118-adopted -Passed with Emergency Clause -No motion to override veto filed

<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 71</b>	Schumacher	Adopt the Agricultural Property Tax Credit Act	1/22/15	None		In Committee		
<b>LB 73</b>	Schumacher	Adopt the Modern Tax Act	1/30/15	None		In Committee		
<b>LB 74</b>	Schumacher	Change sales and use tax collection fees	1/23/15	None		In Committee		
<b>LB 75</b>	Schumacher	Adopt the Taxpayer Investment Program	1/30/15	None		In Committee		
<b>LB 76</b>	Schumacher	Change provisions relating to the earned income tax credit and the homestead exemption	1/22/15	3/15/15	None	General File		
<b>LB 123</b>	Schumacher	Change provisions relating to the payment of warrants	1/30/15	2/19/15	None	Passed, 47-0-2	Approved, 5/26/15	None
<b>LB 153</b>	Morfeld	Exempt college textbooks from sales and use taxes	2/6/15	None		In Committee		
<b>LB 156</b>	Stinner	Change the amount of credits allowed under the Angel Investment Tax Credit Act	2/6/15	3/3/15	AM 645	Passed, 46-0-3	Approved, 5/27/15	-Committee AM645-adopted -Sen. Hilkemann Priority Bill
<b>LB 162</b>	Schumacher	Change provisions relating to sales of real property for nonpayment of taxes	1/29/15	None		In Committee		
<b>LB 165</b>	Lindstrom	Change income tax provisions relating to Social Security benefits	1/28/15	None		In Committee		
<b>LB 170</b>	Gloor	Change distribution of the Sports Arena Facility Support Fund	1/21/15	1/21/15	None	Passed, 49-0-0	Approved, 2/26/15	None
<b>LB 171</b>	Gloor	Update references to the Internal Revenue Code	1/21/15	1/21/15	None	Passed, 49-0-0	Approved, 2/26/15	None
<b>LB 178</b>	Watermeier	Change valuation of agricultural land and horticultural land	1/29/15	None		In Committee		
<b>LB 186</b>	Bolz	Adopt the Property Tax Circuit Breaker Act	1/29/15	None		In Committee		

<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 191</b>	Bloomfield	Exempt food sold by veterans service organizations from sales and use taxes	2/6/15	None		In Committee		
<b>LB 200</b>	Davis	Change the distribution of sales and use tax revenue and provide duties for the Department of Revenue	2/20/15	3/3/15	AM 646	Passed, 47-0-2	Approved, 5/27/15	-Committee AM 646–adopted -Speaker Priority Bill
<b>LB 201</b>	Davis	Change provisions relating to uranium severance taxes	None	None		Withdrawn		-Senator Davis withdrew LB 201 on January 23, 2015
<b>LB 210</b>	Ebke	Change provisions relating to housing agencies and taxation of mixed-use developments	2/20/15	None		In Committee		
<b>LB 216</b>	Hadley	Correct provisions relating to the streamlined sales and use tax agreement	1/30/15	3/6/15		Select File		
<b>LB 217</b>	Hadley	Revise statute relating to premium taxes	1/30/15	3/6/15		Select File		
<b>LB 218</b>	Hadley	Correct references to a federal act in income tax provisions	1/30/15	3/6/15		Select File		
<b>LB 228</b>	Watermeier	Change corporate income tax rates	2/5/15	None		In Committee		
<b>LB 230</b>	Mello	Change provisions relating to partition actions	2/19/15	4/9/15	AM 752	General File		-Committee AM 752-pending
<b>LB 246</b>	Sullivan	Redefine a term under the Nebraska Advantage Microenterprise Tax Credit Act	2/5/15	2/19/15	None	Passed, 47-0-2	Approved, 5/26/15	None
<b>LB 249</b>	Sullivan	Exempt horses from sales and use taxes	2/6/15	3/3/15	AM 622	General File		-Committee AM 622-pending
<b>LB 255</b>	Morfeld	Provide income tax credits for apprenticeships	2/4/15	None		In Committee		
<b>LB 256</b>	Bloomfield	Change the sales tax rate and the distribution of sales tax revenue	2/20/15	None		In Committee		

<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 259</b>	Gloor	Adopt the Personal Property Tax Relief Act	1/29/15	3/11/15	AM 824	Passed, 47-0-2	Approved, 5/27/15	-Committee AM 824-adopted -Rev. Comm. Priority Bill
<b>LB 260</b>	Gloor	Authorize the Property Tax Administrator to correct certain errors	1/23/15	1/28/15	None	Passed, 46-0-3	Approved, 3/5/15	-Passed with Emergency Clause
<b>LB 261</b>	Gloor	Change revenue and taxation provisions	1/23/15	1/28/15	AM 44	Passed, 47-0-2	Approved, 3/5/15	-Passed with Emergency Clause -Committee AM 44-adopted
<b>LB 267</b>	Crawford	Change the income tax exemption for military retirement income	1/28/15	None		In Committee		
<b>LB 277</b>	B. Harr	Change tax deed lien priority	2/12/15	2/19/15	None	Passed, 48-0-1	Approved, 5/26/15	None
<b>LB 278</b>	B. Harr	Exempt motor vehicle washing and waxing services from sales and use tax	2/6/15	4/13/15	None	General File		
<b>LB 280</b>	Davis	Authorize a school-funding surtax and reduce the levy authority of school districts and learning communities	2/18/15	None		In Committee		
<b>LB 284</b>	Riepe	Redefine terms under the Sports Arena Facility Financing Assistance Act	2/20/15	None		In Committee		
<b>LB 285</b>	Riepe	Redefine a term under the Sports Arena Facility Financing Assistance Act	2/20/15	4/29/15	AM 1426	General File		-Comm. AM 1426-pending -Sen. Riepe Priority Bill
<b>LB 293</b>	Schnoor	Change valuation of agricultural land and horticultural land	2/19/15	None		In Committee		
<b>LB 321</b>	Bolz	Adopt the Nebraska Industrial New Job-training Act and authorize certain payments and taxes	2/11/15	None		In Committee		
<b>LB 322</b>	Bolz	Increase child and dependent care tax credits	2/11/15	3/10/15	AM 809	General File		-Comm. AM 809-pending

<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 325</b>	Davis	Change levy provisions for rural and suburban fire protection districts	2/26/15	3/6/15	None	Passed, 40-2-7	Approved, 5/27/15	-Speaker priority bill
<b>LB 331</b>	Nordquist	Adopt the Bioscience Impact Opportunity Act	2/11/15			In Committee		
<b>LB 345</b>	Kolowski	Adopt the Property Tax Relief Act	2/12/15			In Committee		
<b>LB 350</b>	Brasch	Change valuation of agricultural land and horticultural land	2/19/15			In Committee		-Sen. Brasch Priority Bill
<b>LB 356</b>	B. Harr	Change provisions relating to the assessment of certain rent-restricted housing projects	2/26/15	3/11/15	AM 803	Passed, 45-0-3	Approved, 4/13/15	-Comm. AM 803-adopted -Comm. Priority Bill
<b>LB 357</b>	Smith	Change income tax rates and transfer funds from the Cash Reserve Fund	2/18/15	None		In Committee		
<b>LB 361</b>	B. Harr	Clarify that certain assessments levied as prescribed are levied and collected as special assessments	2/26/15	3/3/15	None	Passed, 49-0-0	Approved, 5/27/15	-Speaker Priority Bill
<b>LB 372</b>	Craighead	Adopt the First-time Home Buyer Savings Plan Act and provide income tax adjustments	2/11/15	None		In Committee		
<b>LB 384</b>	Lindstrom	Provide for reclassification of agricultural land and horticultural land	2/19/15	None		In Committee		
<b>LB 386</b>	Watermeier	Change a sales tax exemption for agricultural machinery and equipment	2/27/15	None		In Committee		
<b>LB 391</b>	Crawford	Change sales tax collection fees for motor vehicle	2/27/15	None		In Committee		
<b>LB 396</b>	Riepe	Allow an income tax credit for certain long-term insurance policy premiums	2/25/15	None		In Committee		

<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 398</b>	B. Harr	Exempt all tangible personal property from property tax	3/5/15	None		In Committee		
<b>LB 408</b>	Kolterman	Eliminate provisions relating to penalties for corporations and companies that fail to pay taxes	2/25/15		AM 586	Passed, 46-0-3	Approved, 5/26/15	-Comm. AM 586-adopted
<b>LB 414</b>	B. Harr	Provide a property tax exemption for fraternal benefit societies	3/5/15	3/5/15	None	Passed, 33-13-3	Approved, 5/13/15	-Sen. Burke Harr Priority Bill
<b>LB 419</b>	Mello	Exempt sales and purchases by zoos and aquariums from sales and use tax	2/18/15	3/5/15	None	Passed, 39-5-5	Approved, 5/27/15	-Sen. Mello Priority Bill
<b>LB 423</b>	Nordquist	Change a renewable energy tax credit	2/25/15	4/1/15	AM 1103	Cloture motion failed on Select File		-Comm. AM 1103-adopted -Sen. Nordquist Priority Bill
<b>LB 424</b>	Davis	Change provisions relating to the nameplate capacity tax	3/5/15	3/11/15	None	Passed, 47-0-2	Approved, 5/26/15	None
<b>LB 428</b>	Garrett	Provide an exemption from motor vehicle taxation for certain veterans	2/27/15	3/5/15	AM 733	General File		-Comm. AM 733-pending
<b>LB 438</b>	Morfeld	Change distribution of sales and use tax revenue and create and provide for a fund	3/6/15	None		In Committee		
<b>LB 453</b>	Hilkemann	Change provisions relating to motor vehicle taxes	2/27/15	None		In Committee		
<b>LB 454</b>	Garrett	Change provisions relating to the taxation of military retirement benefits	2/4/15	None		In Committee		
<b>LB 466</b>	B. Harr	Change provisions relating to deductions of municipal sales and use tax refunds	3/12/15	None		In Committee		
<b>LB 470</b>	Hansen	Provide an income tax credit for caregivers	3/4/15	None		In Committee		

<b>LB #</b>	<b>Introducer</b>	<b>One Liner</b>	<b>Hearing Date</b>	<b>Exec Session Date</b>	<b>Committee Amendments</b>	<b>Disposition at Sine Die</b>	<b>Signed by Governor</b>	<b>Comments</b>
<b>LB 476</b>	Davis	Provide duties for county assessors and the Property Tax Administrator relating to tax-exempt real property	3/5/15	None		In Committee		
<b>LB 495</b>	Pansing Brooks	Increase the earned income tax credit	3/4/15	None		In Committee		
<b>LB 510</b>	Cook	Provide an income tax credit to employers of public assistance recipients	2/25/15	3/10/15	AM 732	General File		-Comm. AM 732-pending
<b>LB 521</b>	Sullivan	Provide, eliminate, and change provisions relating to property tax levies and credits and state aid to schools and provide for a transfer from the Cash Reserve Fund	2/26/15	None		In Committee		
<b>LB 523</b>	Sullivan	Change income tax rates and state intent relating to funding public education	2/26/15	None		In Committee		
<b>LB 538</b>	Legislative Performance Audit Committee	Require audits of tax incentive programs under the Legislative Performance Audit Act and change tax incentive sunset dates	2/25/15	3/5/15	None	Passed, 46-0-3	Approved, 5/27/15	-Legislative Performance Audit Committee Priority Bill
<b>LB 542</b>	B. Harr	Provide a sales tax exemption for purchases by county agricultural societies	3/6/15	None		In Committee		
<b>LB 550</b>	B. Harr	Change provisions relating to the Municipal Equalization Fund	3/12/15	None		In Committee		
<b>LB 559</b>	Schumacher	Change provisions relating to the treatment of tax credits under the New Markets Job Growth Investment Act	3/4/15	3/11/15	None	Passed, 45-0-4	Approved, 5/27/15	-Passed with Emergency Clause -Sen. Williams Priority Bill
<b>LB 573</b>	Davis	Adopt the Health Enterprise Zone Act and provide for tax credits	3/11/15	None		In Committee		

LB #	Introducer	One Liner	Hearing Date	Exec Session Date	Committee Amendments	Disposition at Sine Die	Signed by Governor	Comments
LB 574	Davis	Adopt the Intangible Personal Property Tax Act	3/12/15	3/18/15		Indefinitely Postponed		
LB 587	McCollister	Change the motor vehicle tax schedules	3/18/15	None		In Committee		
LB 591	Bolz	Create the achieve a better life experience program and provide for adjustments to taxable income	3/11/15	3/18/15	AM 627	Passed, 47-0-2	Approved, 5/27/15	-Passed with Emergency Clause -Comm. AM 627-adopted -Speaker Priority Bill
LB 608	Mello	Change revenue and taxation provisions	3/4/15	None		In Committee		
LB 610	Smith	Change motor fuel excise taxes	3/6/15	3/11/15	None	Passed, 26-15-8	Vetoed, 5/7/15	<b>-Veto Overridden, 30-16-3</b> -Sen. Friesen Priority Bill
LB 613	Kintner	Provide duties for the Department of Revenue and change income tax rates and the distribution of sales and use tax revenue	3/18/15	None		In Committee		
LB 614	Kintner	Change provisions relating to the taxation of military retirement benefits	2/4/15	None		In Committee		
LB 615	Kintner	Provide a property tax exemption for homesteads of certain persons	2/12/15	None		In Committee		
LB 645	Nordquist	Adopt the Early Childhood Workforce Development Opportunity Act and provide tax credits	3/11/15	None		In Committee		
LB 653	Johnson	Exempt certain purchases of energy star qualified products from sales and use taxes	3/6/15	None		In Committee		

# Income Tax - 2015

## **LB 20 (Krist) Change the income tax exemptions for social security benefits and military retirement benefits**

### **Introduced Version:**

The bill excludes all Social Security benefits come from federal AGI for tax years beginning or deemed to begin on January 1, 2015. It would also exclude all military retirement benefits beginning with the same tax year. “Military retirement benefits” are defined to include payments to both uniformed and civilian personnel from the Department of Defense.

### **Disposition at Sine Die:**

LB 20 is currently in committee.

## **LB 63 (Schumacher) Provide an income tax deduction for the amount of income subjected to Social Security taxes.**

### **Introduced Version:**

The bill would allow taxpayers age 65 or older who are still working to deduct their wages or self-employment income (as those terms are defined under the Internal Revenue Code) from adjusted gross income for purposes of calculating Nebraska income tax. The deduction applies only to the extent such wages or income were subjected to “old-age, survivors and disability insurance” tax, or what is commonly referred to as the social security tax, and to the extent such income or wages were included in federal adjusted gross income.

The bill is operative for taxable years beginning or deemed to begin on January 1, 2016.

For a detailed description of the federal definitions of “wages” and “self-employment income” please see the attachment to this bill summary.

### **Disposition at Sine Die:**

LB 63 is currently in committee.

## **LB 69 (Schumacher) Provide an income tax credit for corporate income taxes paid**

### **Introduced Version:**

The bill provides a 100% nonrefundable credit of corporate income tax paid to the corporate taxpayer. However, the corporation must distribute one half of the credit to shareholders and the other half of the credit to employees, to be used against their own individual income tax liability. The bill then creates a nonrefundable credit for

employees and shareholders of such corporations. Corporate taxpayers who participate in any Nebraska tax incentive program may not claim the credit.

The bill is operative for tax years beginning or deemed to begin on January 1, 2016.

**Disposition at Sine Die:**

LB 69 is currently in committee.

**LB 75 (Schumacher) Adopt the Taxpayer Investment Program**

**Introduced Version:**

The bill creates the Taxpayer Investment Program. The Program would allow taxpayers to make “advance tax payments” or “tax investments” that would accumulate interest at the rate specified in the bill. The taxpayer could then redeem the investment as nonrefundable credit against taxes owed to the State after five years or upon reaching the age of 62, or upon death, whichever is earlier.

Credits may be transferred subject to certain conditions, including a ten percent transfer fee to the State. Credits remaining unclaimed upon the death of the taxpayer would be applied first to any inheritance tax, then to reimburse any state aid paid under Chapter 68 (Public Assistance), then a ten percent transfer fee to the state and then to the heirs or devisees of the decedent.

Credits must be claimed on a first paid, first claimed basis. The State may redeem outstanding credits. Credits expire unless claimed within twenty years of the underlying payment.

The bill contains a severability clause and repeals relevant sections.

Notes:

- The phrase “underlying payment” is not defined.
- This bill was previously introduced as LB82 (2013 Session).

**Disposition at Sine Die:**

LB 75 is currently in committee.

**LB 165 (Lindstrom) Change income tax provisions relating to Social Security benefits**

**Introduced Version:**

The bill would exempt social security income using a five-year phased-in approach. Beginning with taxable years beginning or deemed to begin on January 1, 2015, such income would be deducted from adjusted gross income as follows:

Tax Year 2015	20%
Tax Year 2016	40%
Tax Year 2017	60%
Tax Year 2018	80%
Tax Year 2019	100%

There are no caps or limitations on which taxpayers may claim the deduction.

The effective date as printed is January 1, 2015.

**Disposition at Sine Die:**

LB 165 is currently in committee.

**LB 218 (Hadley) Correct references to a federal act in income tax provisions**

**Introduced Version:**

LB 218 would amend Section 77-2716 to correct references to the federal Jobs and Growth Tax Act by adding the term “Relief Reconciliation.”

**Disposition at Sine Die:**

LB 218 was advanced from the committee and will remain on Select File.

**LB 228 (Watermeier) Change the Corporate income tax rate**

**Introduced Version:**

The bill lowers the marginal tax rates under the corporate income tax. Under current law, the first \$100,000 of taxable income is taxed at the rate of 5.58% and at the rate of 7.81% for taxable income in excess of \$100,000. The bill would adjust the rates to 5.01% and 6.84%, respectfully.

The bill is operative for tax years beginning or deemed to begin on January 1, 2016.

**Disposition at Sine Die:**

LB 228 is currently in committee.

**LB 267 (Crawford) Change the income tax exemption for military retirement income**

**Introduced Version:**

The bill provides two alternative methods for exempting military retirement benefits. A taxpayer may choose one or the other, but may not utilize both methods.

Under alternative one, a taxpayer may claim a dollar-for-dollar deduction for military retirement income against other income taxable in Nebraska. The deduction is capped at \$60,000 for taxpayers married filing joint and \$30,000 for all other taxpayers. Further, if the taxpayers' federal adjusted gross income exceeds \$120,000 for those married filing joint (\$60,000 for all other filers) the maximum deduction is reduced by the amount of income in excess of these thresholds. This deduction is available for 15 consecutive tax years and there is no age limit on who may claim the deduction.

Alternative two is available only to those taxpayers who are at least 62 years of age in the first tax year they claim this deduction. Such taxpayers may elect to deduct all military retirement income or a total of \$10,000, whichever is less. Adjusted gross income for taxpayers married filing joint may not exceed \$58,000 and \$43,000 for all other taxpayers.

The bill is operative for taxable years beginning or deemed to begin on January 1, 2015.

**Disposition at Sine Die:**

LB 267 is currently in committee.

**LB 357 (Smith) Change income tax rates and transfer funds from the Cash Reserve Fund**

**Introduced Version:**

The bill reduces the marginal tax rates for the four brackets under the individual income tax (including estates and trusts) and under the corporation income tax. The reductions commence for taxable years beginning or deemed to begin on or after January 1, 2016 and for the individual income tax are implemented in phases as follow

Tax Years 2016, 2017, 2018

	Current Marginal Rate	New Marginal Rate
Bracket 1	2.46%	2.25%
Bracket 2	3.51%	3.5%
Bracket 3	5.01%	5.00%
Bracket 4	6.84%	6.69%

Tax Year 2019

	Current Marginal Rate	New Marginal Rate
Bracket 1	2.46%	2.04%
Bracket 2	3.51%	3.5%
Bracket 3	5.01%	5.00%
Bracket 4	6.84%	6.54%

Tax Year 2020

	Current Marginal Rate	New Marginal Rate
Bracket 1	2.46%	1.84%
Bracket 2	3.51%	3.5%
Bracket 3	5.01%	5.00%
Bracket 4	6.84%	6.38%

Tax Year 2021

	Current Marginal Rate	New Marginal Rate
Bracket 1	2.46%	1.62%
Bracket 2	3.51%	3.5%
Bracket 3	5.01%	5.00%
Bracket 4	6.84%	6.24%

Tax Year 2022

	Current Marginal Rate	New Marginal Rate
Bracket 1	2.46%	1.43%
Bracket 2	3.51%	3.5%
Bracket 3	5.01%	5.00%
Bracket 4	6.84%	6.08%

Tax Year 2023

	Current Marginal Rate	New Marginal Rate
Bracket 1	2.46%	1.23%
Bracket 2	3.51%	3.5%
Bracket 3	5.01%	5.00%
Bracket 4	6.84%	5.92%

For taxable years beginning or deemed to begin on or after January 1, 2024, the Tax Commissioner is to set the rates by reducing them by fifteen-hundredths percent (0.15%) “If actual General Fund receipts for the most recently completed fiscal year exceed estimated General Fund net receipts for such fiscal year as determined under subsection (2) of section 77-4602.”

§77-4602 provides:

**77-4602. Actual General Fund net receipts; public statement by Tax Commissioner; transfer of funds; when.**

(1) Within fifteen days after the end of each month, the Tax Commissioner shall provide a public statement of actual General Fund net receipts and a comparison of such actual net receipts to the monthly estimate certified pursuant to section [77-4601](#).

(2) Within fifteen days after the end of each fiscal year, the public statement shall also include a summary of actual General Fund net receipts and estimated General Fund net receipts for the fiscal year.

(3) If the actual General Fund net receipts for the fiscal year as reported in subsection (2) of this section exceed estimated receipts for the fiscal year, the Tax Commissioner shall immediately certify to the director such excess amount. The State Treasurer shall immediately transfer an amount equal to such excess amount from the General Fund to the Cash Reserve Fund upon certification by the director of such excess amount.

The marginal rates would not be allowed to go below 0% for bracket one, 3.5% for bracket two, and 5.0% for brackets three and four. The brackets would not be indexed for inflation for tax years 2016 through 2023 but would be indexed for tax years 2024 and forward in a manner as currently provided for under §77-2715.03(3)(a)-(b).

The corporation income tax rates would be reduced commencing with taxable years beginning or deemed to begin on or after January 1, 2016 and would be phased in as follows:

	Bracket 1	Bracket 2
Current Rates	5.58%	7.81%
TY 2016, 2017, 2018	5.41%	7.58%
Tax Year 2019	5.23%	7.35%
Tax Year 2020	5.07%	7.11%
Tax Year 2021	4.90%	6.89%
Tax Year 2022	4.72%	6.65%
Tax Year 2023	4.54%	6.41%

For taxable years beginning or deemed to begin on or after January 1, 2024, the Tax Commissioner would be required to adjust the rates in the same manner as provided for the individual income tax. The marginal corporate rates would not be allowed to go below 3.5% and 5.0%, respectively.

The bill does not adjust the existing income levels within the brackets for either individual or corporate income taxes.

The bill provides for transfers of \$20 million and \$60 million by June 30, 2016 and June 30, 2017, respectively, from the Cash Reserve Fund to the General Fund. Further, it provides for transfers of \$40 million each by December 15, 2015 and 2016, respectively, from the Cash Reserve Fund to the Property Tax Credit Cash Fund.

**Disposition at Sine Die:**

LB 357 is currently in committee.

**LB 454 (Garrett) Change provisions relating to the taxation of military retirement benefits**

**Introduced Version:**

The bill excludes all military retirement benefits from federal AGI for tax years beginning or deemed to begin on January 1, 2016. The exclusion is capped at \$48,000 for married filing joint taxpayers if both filers are receiving such benefits and at \$24,000 for any other return. “Military retirement benefits” are defined to include only uniformed personnel.

Note: The bill repeals the language allowing the partial military retirement exclusion that was previously passed for tax years beginning or deemed to begin on January 1, 2015. Thus it would appear that no military benefits may be excluded for that tax year.

**Disposition at Sine Die:**

LB 454 is currently in committee.

**LB 523 (Sullivan) Change income tax rates and state intent relating to funding public education**

**Introduced Version:**

The bill increases the marginal tax rates for the four brackets under the individual income tax (including estates and trusts) and the two brackets under the corporation income tax. The increases commence for taxable years beginning or deemed to begin on or after January 1, 2016 as follows:

Individual Income Tax

	Current Marginal Rate	New Marginal Rate
Bracket 1	2.46%	2.56%
Bracket 2	3.51%	3.65%
Bracket 3	5.01%	5.21%
Bracket 4	6.84%	7.11%

Corporation Income Tax

	Bracket 1	Bracket 2
Current Rates	5.58%	7.81%
New Rates	5.80%	8.12%

The bill does not adjust the existing income levels within the brackets for either individual or corporate income taxes. It states that the intent of the legislature is to increase rates to facilitate “increasing state support for public education for the purpose of shifting some of the tax burden for education from property taxes to income taxes.”

**Disposition at Sine Die:**

LB 523 was held in committee.

**LB 591 (Bolz) Create the achieve a better life experience program and provide for adjustments to taxable income**

**Introduced Version:**

The bill creates the achieving a better life experience program (ABLE). One or more persons may contribute to an account to meet the qualified disability expenses of the designated beneficiary. The beneficiary is a person with a disability who is an eligible individual as defined under I.R.C. §529A and is a resident of the state. The program is to be created and administered by the State Treasurer in a manner similar to the Nebraska Educational Savings Plan

The tax benefits are identical to those allowed under the Nebraska Educational Savings Plan, thereby allowing a deduction for contributions to an ABLE account, not to exceed \$5,000 for married filing separate returns or \$10,000 for all other returns. Interest and earnings on the account are also deductible, to the extent included in federal AGI or for corporation, federal taxable income.

The bill does not set an operative date.

**Committee Amendments: Adopted**

AM 627 adds the necessary authority for the state treasurer to create and administer the ABLE program. It also clarifies terms defined under the program and adds an emergency clause so that the bill becomes effective when passed and approved.

**Disposition at Sine Die:**

AM1682 was adopted, which limits the availability of this and other income tax credits, both refundable and nonrefundable, to those circumstances where the credit would still be available after adding back any carryforward of a net operating loss.

AM1352 requires the Treasurer to either establish the program or to contract with another state that has established such a program. Other state residents are allowed to participate if Nebraska establishes the program and money is appropriated from the Treasury Management Cash Fund for such purposes. The State Treasurer and any designated administrator are to provide investment options except that the state investment officer has a fiduciary responsibility to make all decisions regarding the investment of the money in the expense fund and program fund. Contributions are limited to cash.

LB 591 was passed on Final Reading with the Emergency Clause 47-0-2, and approved by the Governor on May 27, 2015.

## **LB 614 (Kintner) Change provisions relating to the taxation of military retirement benefits**

### **Introduced Version:**

The bill phases in an exclusion for military retirement benefits from federal AGI over a three year period, beginning with tax years beginning or deemed to begin on January 1, 2015. The exclusion is \$11,000 for each “individual included in the tax return” the first tax year, \$22,000 the second tax year and \$33,000 the third tax year. “Military retirement benefits” are defined to include only uniformed personnel.

### **Disposition at Sine Die:**

LB 614 is currently in committee.

# Property Tax – 2015

## **LB 71 (Schumacher) Adopt the Agricultural Property Tax Credit Act**

### **Introduced Version:**

This bill would provide a property tax credit for owners of agricultural and horticultural lands through the Agricultural Property Tax Credit Act.

A seven percent tax on the excessive sales price of agricultural and horticultural lands will be paid by the purchaser. The monies generated through this tax would be credited to the Agricultural Property Tax Relief Fund. Excessive sales price is defined as the difference of the sales price of the agricultural and horticultural land and the inflation-adjusted value of the land.

The process for the flow of the monies is:

- Agricultural and/or horticultural land is purchased
- Purchaser pays a 7% tax to the county register of deeds
- County register of deeds remits funds to State Treasurer
- State Treasurer credits monies to Agricultural Property Tax Relief Fund
- State Treasurer remits monies back to county in two payments --January 31 and April 1
- County Treasurer allocates monies to each taxing unit based on proportion of the taxing unit levy to the total levy
  - Taxing unit must levy taxes on agricultural and horticultural land to receive monies from State Treasurer

### **Disposition at Sine Die:**

LB 71 is currently in committee.

## **LB 76 (Schumacher) Change provisions relating to the earned income tax credit and the homestead exemption**

### **Introduced Version:**

For tax years beginning on or after January 1, 2016, the 10 percent earned income tax credit shall only be allowed if the individual would have received the earned income tax credit after adding back any carryforward of a net operating loss that was deducted in determining the eligibility for the credit.

The carryforward of a net operating loss deducted for federal income tax purposes is added to the definition of household income used to determine the eligibility for homestead exemption.

**Disposition at Sine Die:**

LB 76 was indefinitely postponed; relevant provisions enacted with LB 591 (Bolz).

**LB 178 (Watermeier) Change valuation of agricultural land and horticultural land**

**Introduced Version:**

This bill would decrease the value of agricultural and horticultural land for school district taxation purposes only by 5%. It would also change the acceptable range of taxation of agricultural and horticultural land and the percentage value of agricultural and horticultural land for TEEOSA Aid (state aid) purposes by 5%. Please refer to the table for the current percentages and the decreasing percentages in each of the categories.

The operative date of the act is January 1, 2016.

<b>LB 178</b>		<b>Current Law</b>	<b>LB 178</b>	<b>Current Law</b>	<b>LB 178</b>	<b>Current Law</b>
Tax Year	School District Taxation Percentages	School District Taxation Percentage	Range	Range	TEEOSA Aid Purposes	TEEOSA Aid Purposes
2016	70%	75%	64% to 70%	69% to 75%	67%	72%
2017	65%		59% to 65%		62%	
2018	60%		54% to 60%		57%	
2019 & after	55%		49% to 55%		52%	

**Disposition at Sine Die:**

LB 178 is currently in committee.

**LB 186 (Bolz) Adopt the Property Tax Circuit Breaker Act**

**Introduced Version:**

This bill will create the Property Tax Circuit Breaker Act. The Act will provide a refundable tax credit to homeowners and renters. Eligibility and the amount of the income tax credit will be determined by the Department of Revenue based on information provided by the taxpayer. Eligibility requires the taxpayer to have resided at the property described in their application for the credit for at least six months during the tax year.

After the Department of Revenue has determined eligibility and the amount of the credit, they shall issue the taxpayer a certificate stating the amount of the credit. To claim the credit, the taxpayer shall attach the certificate to a form developed by the Department.

The determination of the amount of the credit is shown below:

- Maximum Credit of \$1,200
  - If 1% of AGI is less than or equal to \$6,000 for married filing jointly or \$3,000 for any other return.
- Maximum Credit of \$900
  - If 2% of AGI is greater than \$6,000 and less than or equal to \$36,000 for married filing jointly or greater than \$3,000 and less than or equal to \$18,000 for any other returns
- Maximum Credit of \$600
  - If 3% of AGI is greater than \$36,000 and less than or equal to \$58,000 for married filing jointly or greater than \$18,000 and less than or equal to \$29,000 for any other return.
- Maximum Credit of \$300
  - If 4% of AGI is greater than \$58,000 and less than or equal of \$116,000 for married filing jointly or greater than \$29,000 and less than or equal to \$58,000 for any other return.

A taxpayer renting property from a tax-exempt charitable organization or other entity exempt from paying property taxes is not eligible to receive this income tax credit.

The Department of Revenue may adopt and promulgate rules and regulations to carry out the Act. The Act becomes operative for all taxable years beginning, or deemed to begin, on or after January 1, 2016, under the Internal Revenue Code of 1986, as amended.

**Disposition at Sine Die:**

LB 186 is currently in committee.

**LB 210 (Ebke) Change provisions relating to housing agencies and taxation of mixed-use developments**

**Introduced Version:**

This bill pertains to the taxation of market-rate units. The bill creates a definition of market-rate unit to be “[A] dwelling unit in a mixed-income development that is not designated for occupancy only by persons of eligible income or that is not available at a reduced rent to persons of eligible income.”

A mixed-income development is a housing development intended to be occupied by persons of eligible income and by other persons. If such other persons are living in the development their income at initial occupancy is not to exceed 100% of the median income in the county in which the development is located.

Section 71-1590 is amended to provide that market-rate dwelling units and units occupied by persons who are not income eligible in a property owned by a local housing agency are taxed at market value and that market-rate units in a mixed-income development are not used for a public purpose. The bill has an operative date of January 1, 2016

The bill has an operative date of January 1, 2016

**Disposition at Sine Die:**

LB 210 is currently in committee.

**LB 217 (Hadley) Revise statute relating to premium taxes**

**Introduced Version:**

This bill makes a technical change to Section 77-918 relating to insurance premium tax by creating five sections to the existing language.

**Disposition at Sine Die:**

LB 217 was advanced from the committee and will remain on Select File.

**LB 230 (Mello) Change provisions relating to partition actions**

**Introduced Version:**

This bill would allow a joint owner the grantee or holder with less than 100% ownership of a treasurer's tax deed that was acquired prior to January 1, 2015 the right to partition real estate or mineral rights.

The bill also provides that in the case of a partition action by the grantee who forecloses the lien for taxes, if the share payable to the holder of the tax sale certificate is not sufficient to pay in full the lien, then the proceeds of the sale of real estate, after payment of costs, shall be first paid to the holder of the tax deed or tax sale certificate in full satisfaction of the holder share.

**Committee Amendments: AM 752 -pending**

AM 752 clarifies that the holder of a treasurer's tax deed or tax sale certificate may only recover the amount paid for the certificate including accrued interest and costs incurred by the holder in an action for partition.

**Disposition at Sine Die:**

LB 230 was advanced from committee as amended and will remain on General File.

## **LB 256 (Bloomfield) Change the sales tax rate and the distribution of sales tax revenue**

### **Introduced Version:**

This bill would raise the sale tax rate from 5.5 percent to 6 percent on October 1, 2015.

For transactions occurring on or after October 1, 2015, proceeds from one-half of one percent of the sales tax rate would be credited to the Property Tax Credit Cash Fund.

Not included in this requirement are: sales and use taxes derived from the sale or lease of motorboats, personal watercraft, all-terrain vehicles, utility-type vehicles, motor vehicles, trailers, and semitrailers.

### **Disposition at Sine Die:**

LB 256 is currently in committee.

## **LB 259 (Gloor) Adopt the Personal Property Tax Relief Act and provide and change tax exemptions and taxation of personal property**

### **Introduced Version:**

This bill would create the Personal Property Tax Relief Act. The Act would exempt the first \$25,000 of valuation of depreciable tangible personal property from the personal property tax. The exemption applies to each taxpayer filing a return.

An annual application process is required to receive the exemption. The county will certify the amount exempted to the State. The State will reimburse the county and the county reimburses each taxing agency.

The bill has an operative date of January 1, 2016.

### **Committee Amendments: Adopted**

AM 824 reduces the exclusion from the first \$25,000 of value to the first \$10,000 of value. In addition, the amendment creates a compensating exemption factor for companies that are centrally assessed by the state to be used in determining the tax exemption for those companies. The factor is a fraction of which the numerator is the total amount of locally assessed tangible personal property less the total amount of exemption allowed and the denominator is the value of locally assessed tangible personal property. The taxable amount for each centrally assessed company is the result of multiplying each such company's tangible personal property subject to the tax by the compensating exemption factor.

### **Disposition at Sine Die:**

LB 259 passed on Final Reading 47-0-2, and was approved by the Governor on May 27, 2015.

**LB 277 (B. Harr) Change tax deed lien priority**

**Introduced Version:**

All special assessments regularly levied are a perpetual lien on the real estate assessed from the date of levy until paid. This bill would specifically include special assessments levied by a sanitary improvement district that has not previously been offered for sale will remain subject to any lien on property sold by a county treasurer.

**Disposition at Sine Die:**

LB 277 was passed on Final Reading 48-0-1, and was approved by the Governor on May 26, 2015.

**LB 280 (Davis) Authorize a school-funding surtax and reduce the levy authority of school districts and learning communities**

**Introduced Version:**

**Local Income Tax**

This bill would create a local income tax of 19.4% that would be imposed on residents, partial-year residents and non-resident taxpayers. The local income tax imposed on a resident taxpayer would be payable to a school district. For non-residents, the local income tax would be payable to the state. The local income tax would be collected at the same time as state individual income tax. The Tax Commissioner would distribute the monies to school districts on or before July 1.

A school board may choose to increase the local income tax up to 29.9% through a super-majority vote of the board or by a resolution to put the issue before its registered voters.

School districts will notify the Tax Commissioner by August 1 of the local income rate. Schools are to consider the receipts from the local income tax in setting their property tax levies.

**Statutory Maximum Levy**

The bill would reduce the statutory maximum levy from \$1.05 per \$100 of assessed valuation. The reduced levies are shown below:

<b>Fiscal Year</b>	<b>Statutory Maximum Levy (Per \$100 of Assessed Valuation)</b>
2015/16	\$1.05
2016/17	\$1.05
2017/18	\$0.95
2018/19	\$0.90
2019/20	\$0.85
2020/21 and thereafter	\$0.805

## **TEEOSA**

The bill provides for foundation aid, which is an amount equal to \$500 per formula student that would be paid to every school district. Formula students are students educated by the school district either at the school district or as a contract student at another school district.

The bill reduces the local effort rate (LER) from \$1.00 to \$0.755 per \$100 of adjusted valuation. The LER determines the resource known as the yield from local effort rate. The bill would reduce the percentage of adjusted valuation for agricultural and horticultural land from 72% of actual value to 62.4% of actual value. Reducing this valuation in combination with the reduction of the LER will reduce the resources of all schools and will increase the equalization aid that will be paid through TEEOSA.

The bill contains the Emergency Clause.

Notes:

- The term “fiscal year” is not clearly defined. Does it mean state fiscal year (July through June), school fiscal year (September through August) or tax year (January through December)?
- There could be an equal protection concern with the different rates that may be assessed against a non-resident taxpayer (19.4%) and a resident/partial year resident (19.4% up to 29.9%).
- A super majority vote is defined to mean 67% or more; however, it is not clear if it is 67% of those present and voting or 67% of the elected board of education.
- The local income tax funds are to be distributed on or before July 1, which means the funds will not be available until the last two months of a school fiscal year. If the intent for distributing these funds in July is to provide property tax relief, there should be language mandating these proceeds should be budgeted as non-property tax receipts so the monies could be used to lower the real and personal property tax request.
- Schools that exceed the 19.4% rate are provided with additional budget authority; however, a 2.5% increase in budget authority may not provide the authority to budget the additional revenue.

### **Disposition at Sine Die:**

LB 280 is currently in committee.

## **LB 293 (Schnoor) Change valuation of agricultural land and horticultural land**

### **Introduced Version:**

This bill would value agricultural and horticultural at 65 percent of market value for taxation purposes.

The operative date of this bill would be on January 1, 2016.

**Disposition at Sine Die:**

LB 293 is currently in committee.

**LB 325 (Davis) Change levy provisions for rural and suburban fire protection districts**

**Introduced Version:**

Rural and suburban fire districts may levy a maximum of \$0.105 if the fire district is located in a county that had a levy of at least \$0.40 in the previous year or the county did not authorize a levy for the fire district in the previous year.

The proceeds from the levy will be credited to a sinking fund. The sinking fund will be used for purchasing firefighting and rescue equipment or apparatus, for the acquisition of any land, construction, and for the payment of principal and interest on outstanding indebtedness.

This bill contains an operative date of July 1, 2016.

**Disposition at Sine Die:**

LB 325 passed on Final Reading 40-2-7, and was approved by the Governor May 27, 2015.

**LB 345 (Kolowski) Adopt the Property Tax Relief Act**

**Introduced Version:**

This bill will create another homestead exemption program through the Property Tax Relief Act. Beginning with tax year 2016 all homesteads shall be assessed for taxation the same as other property except the first \$8,000 of value will be exempt from property taxes.

The application for this exemption is a one-time filing. The state reimbursement to the county and distribution of the monies by the county follows the current process used for the homestead exemption program.

The homestead exemption provided by this bill is in addition to any homestead exemption granted under sections 77-3501 to 77-3529.

**Disposition at Sine Die:**

LB 345 is currently in committee.

**LB 350 (Brasch) Change valuation of agricultural land and horticultural land**

**Introduced Version:**

This bill would value agricultural and horticultural at 65 percent of market value for taxation purposes.

The operative date of this bill would be on January 1, 2016.

**Disposition at Sine Die:**

LB 350 is currently in committee.

**LB 356 (B. Harr) Change provisions relating to the assessment of certain rent-restricted housing projects**

**Introduced Version:**

This bill would require the use of the income approach as the mass appraisal method for rent-restricted housing projects. A rent-restricted housing project is defined as a project consisting of five or more houses or residential units financed in whole, or in part, with an allocation of the federal low-income housing tax credits.

A four member Rent-Restricted Housing Projects Valuation Committee (Committee) would be created within the Department of Revenue. The purpose of the Committee would be to develop the market-derived capitalization rate to be used by county assessors in determining the assessed valuation for rent-restricted housing project.

A county assessor may appeal to county board if he/she feels the income-approach calculation does not result in a valuation of a rent-restricted housing project to be actual value. If the county board agrees it may petition TERC for another professionally accepted mass appraisal technique.

The Tax Commissioner may ask TERC to adjust the capitalization rate set by the Committee, if he/she feels the capitalization rate will not result in a valuation at actual value.

**Committee Amendments: Adopted**

AM 803 allows other generally accepted techniques to be used to determine the capitalization rate.

**Disposition at Sine Die:**

LB 356 passed on Final Reading 45-0-4, and was approved by the Governor on April 13, 2015.

**LB 361 (B. Harr) Clarify that certain assessments levied as prescribed are levied and collected as special assessments**

**Introduced Version:**

This bill would clarify language on special assessments that will allow NRD's, SID's, sanitary drainage districts, special improvement districts, counties, cities of all classes and villages to levy for improvements made by the political subdivisions to benefit individual properties.

**Disposition at Sine Die:**

LB 361 was passed on Final Reading 49-0-0, and was approved by the Governor on May 27, 2015.

**LB 384 (Lindstrom) Provide for reclassification of agricultural land and horticultural land**

**Introduced Version:**

This bill would allow the owner of agricultural and horticultural land that is classified as cropland to apply to the county assessor to have up to 30 acres per quarter section reclassified as pasture or rangeland for property tax purposes.

To qualify for the reclassification of the property, the owner agrees to plant perennial cover on the property and the property must have been classified as cropland for at least three of the last five years.

The owner must reapply every year and continue to show eligibility for the reclassification.

The operative date of this bill would be on January 1, 2016.

**Disposition at Sine Die:**

LB 384 is currently in committee.

**LB 398 (B. Harr) Exempt all tangible personal property from property tax**

**Introduced Version:**

This bill would exempt all tangible personal property from property taxes beginning January 1, 2017.

**Disposition at Sine Die:**

LB 398 is currently in committee.

**LB 414 (B. Harr) Provide a property tax exemption for fraternal benefit societies**

**Introduced Version:**

This bill would exempt all property owned by a fraternal benefit society from property taxes.

This bill contains an operative date of January 1, 2016.

**Disposition at Sine Die:**

LB 414 passed on Final Reading 33-13-3, and was approved by the Governor on May 13, 2015.

## **LB 424 (Davis) Change provisions relating to the nameplate capacity tax**

### **Introduced Version:**

This bill redefines “wind turbine” to “renewable energy generation facility” and adds “solar, biomass, or landfill gas” as the fuel source for generating electricity. The excise tax that is currently applied to wind energy generation facilities is now applied to any facility that generates energy using other renewable sources.

Any depreciable tangible personal property used in generating electricity using solar, biomass, or landfill gas as the fuel source shall be exempt from property taxes; if installed after January 1, 2016 and has a nameplate capacity of 100 kilowatts or more.

The bill contains an operative date of January 1, 2016.

### **Disposition at Sine Die:**

LB 424 passed on Final Reading 47-0-2, and was approved by the Governor May 26, 2015.

## **LB 428 (Garrett) Provide an exemption from motor vehicle taxation for certain veterans**

### **Introduced Version:**

This bill would allow veterans to exempt one vehicle from the motor vehicle tax. There is an annual application for this exemption. The state will reimburse the county for the amount of motor vehicle taxes lost through the exemption.

### **Committee Amendment: Pending**

AM 733 strikes the exemption for an un-remarried surviving spouse.

### **Disposition at Sine Die:**

LB 428 is currently on General File.

## **LB 476 (Davis) Provide duties for county assessors and the Property Tax Administrator relating to tax-exempt real property**

### **Introduced Version:**

This bill would require county assessors to provide a market value assessment for all property-tax exempt parcels on or before December 1 of each year. The county assessors would file the information with the Property Tax Administrator.

The Property Tax Administrator shall prepare a report listing each parcel, the estimated market value and a breakdown of the parcels by county, city, village, and school district. The Property Tax Administrator shall file an electronic copy of this report with the Clerk of the Legislature on or before December 31 of each year.

## **Disposition at Sine Die:**

LB 476 is currently in committee.

## **LB 521 (Sullivan) Change provisions documenting eligibility relating to free and reduced-price school meals**

### **Introduced Version:**

#### **Property Tax Statements**

Beginning with tax year 2016, the portion of the tax statements issued by the county treasurer relating to school districts will include a separate levy rate and the amount of the taxes due for each levy. The Property Tax Administrator will include a brief description of each type of levy. The tax statements will also include the property tax credit rate and amount of property tax credit relief calculated by the Department of Education.

#### **Statutory Maximum Levy**

For school fiscal year 2016-2017 and each year thereafter, the statutory maximum levy for school districts will be \$1.05 per \$100 of assessed valuation minus the property tax credit rate.

#### **Property Tax Credit Cash Fund**

This bill would restructure the use of the Property Tax Credit Cash Fund. Beginning with school fiscal year 2016-2017, the money in the Property Tax Credit Cash Fund would be allocated to public school districts. The county treasurer will be required to determine the amount of property tax credit relief for each school district that will be printed on the property tax statement.

Each school district shall receive property tax credit funds based on the property tax credit rate multiplied by the school district's adjusted valuation. The Property Tax Credit Funds for each school would equal the property tax credit rate multiplied by the school district's adjusted valuation.

#### **Tax Equity and Educational Opportunities Support Act**

*Local Effort Rate:* The local effort rate is currently set at \$1.00 for school fiscal year 2015-2016. This bill would set the local effort rate to be \$1.05 minus the property tax credit rate minus \$0.10. A decrease in the local effort rate increases the amount of equalization aid provided to school districts.

*Allocated Income Taxes:* The bill would provide for 10% of the aggregate statewide income tax liability of all resident individuals for the prior year to be included in the formula as allocated income taxes. Each school district's allocated income tax funds will be provided as student support aid. The student support aid will be calculated using a per student factor based on 10% of the prior year statewide income tax liability for resident individuals divided by the number of formula students.

The current amount to be included as a resource for allocated income taxes and net option funding in the TEEOSA formula is currently capped at \$102,289,817. Using 10% of the income tax liability for student support aid rather than the capped amount, will increase overall state aid. Since allocated income taxes are included as a resource in the formula, the change will only impact school districts not currently receiving equalization aid.

*Property Tax Credit Aid:* Each school district will receive aid calculated by multiplying the property tax credit rate by the school district's adjusted valuation.

*Minimum Levy Adjustment and Non-equalized Minimum Levy Adjustment:* The minimum levy adjustment and the non-equalized minimum levy adjusted are eliminated beginning in school fiscal year 2016-2017. The current minimum levy adjustment reduces resources for school districts that do not levy at least \$.10 less than the required maximum levy (\$.05 for learning communities).

Eliminating the minimum levy adjustment will increase resources for equalized school districts that do not levy the required amount. Deletion of the reduction in allocated income taxes for non-equalized schools which do not levy the minimum required amount may increase aid to these districts.

*Allowances:* Beginning in FY2016-17 and each year thereafter, 50% of the following allowances calculated for a school district will be paid as direct aid: summer school allowance; focus school and program allowance; poverty allowance; limited English proficiency allowance; transportation allowance; distance education and telecommunications allowance; and, elementary site allowance.

Allowances are currently included for each school district as part of the needs calculation. Districts that do not receive equalization aid because their resources are greater than their needs do not benefit from allowances. The bill provides direct aid to school districts for 50% of the allowed expenditures and this aid increase will only go to non-equalized school districts.

*Net Option Funding:* The bill changes the calculation of net option funding for school districts beginning in school fiscal year 2016-2017. Currently, net option funding is based upon the number of net option students times the statewide average basic funding per formula student. The bill provides that the basic funding per formula student used in the calculation shall be reduced by the amount received per student from state apportionment and income taxes.

*State Apportionment Funding:* The bill provides for state apportionment funding (revenue from school lands) from the Temporary School Fund to be allocated through TEEOSA. School districts currently receive state apportionment proportionately based upon the census of all students (public and private) in their district. This bill would provide a per student allocation based upon formula students (not school-age census) in the district (public only). The funds are local resources in the formula.

*Cash Reserve Fund Transfer:* The bill also provides for a one-time transfer of funds from the state's Cash Reserve Fund to transition between methods for distributing state apportionment funds. On or before October 15, 2015, the State Treasurer is required to

transfer an amount equal to 25% of the state apportionment funds paid to schools in 2015 to the Temporary School Fund.

*Averaging Adjustment:* This bill would eliminate the requirements for a school district with at least 900 formula students to levy a certain amount in order to be eligible for the averaging adjustment. The averaging adjustment will be available to any school with at least 900 formula students and will be a per student factor based on 90% of the difference of the averaging adjustment threshold and the school district's basic fund per formula student.

*Learning Community Aid:* The bill eliminates language requiring state aid for a learning community to be calculated as a whole rather than separately for school districts in a learning community.

**Disposition at Sine Die:**

LB 521 is currently in committee.

**LB 574 (Davis) Adopt the Intangible Personal Property Tax Act**

**Introduced Version:**

This bill would impose a 1.5% tax on all personal intangible property that would be equal to \$1.50 per \$100 of its fair market value. The bill includes a personal intangible property tax exemption not to exceed \$150,000 for individual filers and not to exceed \$350,000 for married couples filing jointly.

The bill defines intangible personal property and provides several exceptions to intangible personal property tax.

The Intangible Personal Property Tax Fund is created. Revenue generated by the intangible tax will be credited to this fund. The Legislature will use the monies to maintain school funding levels and to reduce the overall tax burden of real and personal property.

The bill contains an operative date of January 1, 2016.

**Disposition at Sine Die:**

LB 574 was Indefinitely Postponed by the Revenue Committee on March 19, 2015.

**LB 615 (Kintner) Provide a property tax exemption for homesteads of certain persons**

**Introduced Version:**

This bill creates another homestead exemption program. It will apply to any person 67 years of age or older who owns a home, purchases a home or constructs a home. The amount of the exemption is determined by the assessed value of the homestead for the current taxable year minus the assessed value of the homestead on either the date of

purchase, the date of construction, the date when the person reaches 67 or the operative date of the Act.

Only one owner of jointly owned homesteads needs to qualify for the exemption. The exemption does not apply to substantial improvements to real property made after the person first qualifies for the exemption.

This homestead exemption is in addition to the homestead exemption under sections 77-3507, 77-3508, or 77-3509. All homestead amounts are added together and the property tax liability for a person may not be reduced below zero.

The operative date of the bill will be January 1, 2016.

**Disposition at Sine Die:**

LB 615 is currently in committee.

# Sales Tax – 2015

## **LB 52 (Scheer) Exempt sanitary drainage districts from sales and use taxes**

### **Introduced Version:**

The bill would add sanitary drainage districts to the list of entities that are exempt from paying sales and use tax on their purchases.

The bill has an operative date of October 1, 2015.

### **Disposition at Sine Die:**

LB 52 passed on Final Reading 46-0-3, and was approved by the Governor March 5, 2015.

## **LB 74 (Schumacher) Change sales and use tax collection fees**

### **Introduced Version:**

The bill increases the collection allowance for persons who are required to collect sales and/or use taxes. The collection allowance was reduced in 2002 during the economic downturn. This bill would return the allowance to pre-2002 levels. Persons designated to collect the sales/use tax would be allowed to keep 2.5 percent of the first \$3,000 in tax and 0.5 percent of the taxes in excess of that amount.

Note that the bill speaks in terms of taxes collected and remitted each month, though many persons are only required to collect and remit these taxes on a quarterly or even annual basis. It is unclear whether these persons would also be included under the proposal.

Since county treasurers are designated to collect sales tax on motor vehicles, boats and trailers on behalf of the state, it is assumed that counties would also be entitled to the increased collection allowance.

### **Disposition at Sine Die:**

LB 74 is currently in committee.

## **LB 153 (Morfeld) Exempt college textbooks from sales and use taxes**

### **Introduced Version:**

This bill creates an exemption from sales and use tax for college textbooks that are required or recommended for a college course. The exemption applies to textbooks in any format (hard copy or electronic), whether sold or leased, and is available to both full and part-time college students.

Note: The bill does not limit the exemption to textbooks for use at Nebraska colleges or to students enrolled at Nebraska colleges.

The bill provides for an effective date of July 1, 2015 but also includes an emergency clause.

**Disposition at Sine Die:**

LB 153 is currently in committee.

**LB 191 (Bloomfield) Exempt food sold by veterans service organizations from sales and use taxes**

**Introduced Version:**

This bill creates an exemption from sales and use tax for food sold by veterans' service organizations, which are defined as:

1. Congressionally chartered;
2. Having active chapters in Nebraska; and
3. Exempt from federal income tax under §501(c) (19) of the Internal Revenue Code.

The bill provides for an effective date of October 1, 2015.

**Disposition at Sine Die:**

LB 191 is currently in committee.

**LB 200 (Davis) Change the distribution of sales and use tax revenue and provide duties for the Department of Revenue**

**Introduced Version:**

The bill would direct the first year of sales tax receipts on internet transactions to the Property Tax Credit Cash Fund when collection of these taxes is authorized by the United States Congress.

**Committee Amendments: Adopted**

AM 646 sunsets this provision after three years.

**Disposition at Sine Die:**

LB 200 passed on Final Reading 47-0-2, and was approved by the Governor on May 27, 2015.

**LB 216 (Hadley) Correct provisions relating to the streamlined sales and use tax agreement**

**Introduced Version:**

This bill makes a technical change to the streamlined sales and use tax agreement to reference Article VII or VIII of the agreement rather than Articles VII or VIII.

**Disposition at Sine Die:**

LB 216 was advanced from the committee and will remain on Select File.

### **LB 249 (Sullivan) Exempt horses from sales and use taxes**

#### **Introduced Version:**

This bill creates an exemption from sales and use tax for the sale of horses.

The bill provides for an effective date of October 1, 2015.

#### **Committee Amendments: Pending**

AM 622 would limit the exemption to sales of breeding stock only.

#### **Disposition at Sine Die:**

LB 249 was advanced from the committee and will remain on General File.

### **LB 278 (B. Harr) Exempt motor vehicle washing and waxing services from sales and use tax**

#### **Introduced Version:**

This bill creates an exemption from sales and use tax for car washing and waxing services.

The bill provides for an effective date of October 1, 2015.

#### **Disposition at Sine Die:**

LB 278 was advanced from the committee and will remain on General File.

### **LB 284 & LB 285 (Riepe) Redefine terms under the Sports Arena Facility Financing Assistance Act**

#### **Introduced Version:**

These companion bills address the “sales tax turn back” provisions under the Sports Arena Facility Financing Assistance Act.

A sales tax turn back generally involves the designation of a zone or area around a proposed qualifying facility. The increase in sales tax collected by existing retailers within the zone is turned back to the facility for the purpose of repaying bonds issued for construction. The sales tax collected by new retailers who locate within the zone is also turned back. 70% is turned back to the facility and the remaining 30% is transferred to the Civic and Community Center Financing Fund.

Current law sets the zone for this Act at 600 yards from the facility. LB284 would expand that zone to 1,000 yards.

Current law captures the sales tax from new retailers for 24 months prior to occupancy through 24 months after occupancy. LB285 would expand this period to 120 months (or 10 years) after occupancy.

Current law sets no time limit on capturing the increased sales tax from existing retailers within the zone. However, the turn back may not exceed a total of \$50 million per facility or be paid out for more than 20 years after the issuance of the first bond.

NOTE: It is our understanding the facility in Ralston was occupied at some point in 2012, which means the turn back period for new retailers expired in 2014. LB285 as

drafted raises the issue of whether changing the turn back period now would allow retroactive application or only apply to new retailers after the effective date of the bill.

**Committee Amendments: Pending**

AM 1426 becomes the bill. Previous legislation created the Convention Center Facility Financing Assistance Act and the Sports Arena Facility Financing Assistance Act. Both provisions allow a sales-tax-turn-back to the cities in which a qualifying facility is built. The sales taxes generated in the designated zone around the facility by both new and existing retailers is "turned back" to the city for a specified time period.

The turn-back is limited, however, to 70 percent of the revenue, with 30 percent going to the Civic and Community Center Financing Fund, which may be used for community development grants in smaller cities. The amendment provides that in the event that this fund maintains a year-end balance in excess of \$1 million, the excess shall be deposited into the newly created Political Subdivision Recapture Cash Fund and then returned proportionately to the cities that generated the turn-back revenues

**Disposition at Sine Die:**

LB 285 was advanced from the committee and will remain on General File.

**LB 386 (Watermeier) Change a sales tax exemption for agricultural machinery and equipment**

**Introduced Version:**

The bill expands the definition of agricultural machinery and equipment for purposes of the sales and use tax exemption to include trailers used exclusively to transport such equipment to or from a commercial farm or ranch.

Current law exempts such trailers if they are not licensed for operation on the roads of the state. Licensed trailers are not exempt and the Department of Revenue provides in its information guide that certain types of trailers, such as head trailers and seed tender trailers, do not qualify for the exemption.

The bill sets the operative date as October 1, 2015.

**Disposition at Sine Die:**

LB 386 is currently in committee.

**LB 391 (Crawford) Change sales tax collection fees for motor vehicles**

**Introduced Version:**

County treasurers would be allowed to collect an additional one-half of one percent of all motor vehicle taxes collected in excess of \$3,000 remitted each month.

**Disposition at Sine Die:**

LB 391 is currently in committee.

**LB 419 (Mello) Exempt certain sales and purchases by certain zoos and aquariums from sales and use tax**

**Introduced Version:**

The bill would exempt all sales made and all purchases by any zoo or aquarium accredited by the Association of Zoos and Aquariums.

The bill provides an operative date of January 1, 2016.

**Disposition at Sine Die:**

AM984 limits the exemption to “a membership in or an admission to or any purchase by a nationally accredited zoo or aquarium operated by a public agency or nonprofit corporation primarily for educational, scientific, or tourism purposes.” Other sales made by these organizations remain subject to sales tax.

LB 419 passed on Final Reading 39-5-5, and was approved by the Governor on May 27, 2015.

**LB 438 (Morfeld) Change distribution of sales and use tax revenue and create and provide for a fund**

**Introduced Version:**

The bill creates the Excellence in Education Trust Fund.

10 percent of sales tax receipts on remote sales would be directed to the fund when collection of these taxes is authorized by the United States Congress. This provision would apply to sales tax receipts on transactions occurring on or after January 1, 2016.

Note: There is a technical drafting error on page 3, line 29, which states “Nebraska Educational Trust Fund” rather than “Excellence in Education Trust Fund.”

**Disposition at Sine Die:**

LB 438 is currently in committee.

**LB 466 (B. Harr) Change provisions relating to deductions of municipal sales and use tax refunds**

**Introduced Version:**

The bill amends the process of paying refunds of local option sales and use taxes by municipalities under the Nebraska Advantage Act (LB 312) or Employment and Investment Growth Act (LB 775).

Under current law, the State does not deduct a refund of the local tax from the sales tax receipts of a village or first or second class city for at least one year after the refund is paid by the State.

If a refund exceeds 25 percent of a municipality’s total sales and use tax receipts for the prior fiscal year, the refund is deducted in 12 equal installments beginning one year after the refund is paid to the taxpayer.

The bill would make these provisions applicable to all municipalities, not just villages, or first second call cities. It also changes the installment payments to apply to refunds exceeding 25 percent or \$1 million, whichever is less.

The operative date is January 1, 2016.

**Disposition at Sine Die:**

LB 466 is currently in committee.

**LB 542 (B. Harr) Provide a sales tax exemption for purchases by county agricultural societies**

**Introduced Version:**

The bill would exempt county agricultural societies from sales and use tax. The operative date is set as October 1, 2015.

**Disposition at Sine Die:**

LB 542 is currently in committee.

**LB 613 (Kintner) Provide duties for the Department of Revenue and change income tax rates and the distribution of sales and use tax revenue**

**Introduced Version:**

This bill would provide that if the federal government passes a law that requires internet sales tax collection by online retailers and the remission of such tax to the states (Marketplace Fairness Act), the Nebraska Department of Revenue would determine the amount of additional revenue collected during the first 12 months following the date on which Nebraska begins collecting the additional revenue.

Following the determination of additional sales tax revenue collected, the Department of Revenue would determine new individual income tax rates for the following tax year based on a reduction in the rates equivalent to 50% of the additional sales tax revenue. The change in tax brackets would apply for only one tax year and then would return to their previous levels.

In addition, the equivalent of 50% of the amount of additional sales tax revenue determined by the Department of Revenue would be credited to the Property Tax Credit Cash Fund.

**Disposition at Sine Die:**

LB 613 is currently in committee.

**LB 653 (Johnson) Exempt certain purchases of energy star qualified products from sales and use taxes**

**Introduced Version:**

The bill would exempt the first \$2,500 of the sales price of purchases of energy star qualified products for only noncommercial home or personal use. The exemption would apply to transactions occurring at 12:01 a.m. on the first Friday in October and conclude at 12:00 midnight on the first Sunday after the first Friday.

Energy star qualified products are defined. The operative date is October 1, 2015.

**Disposition at Sine Die:**

LB 653 is currently in committee.

# Tax Credits & Incentives – 2015

## **LB 26 (Krist) Adopt the Choice for the Advancement of Nebraska Children in Education Act and provide for tax credits**

### **Introduced Version:**

The bill creates the Choice for the Advancement of Nebraska Children in Education Act.

The bill creates a nonrefundable tax credit for contributions to one or more scholarship-granting organizations. The credit is available against individual (including estates and trusts) and corporate income tax, up to 60 percent of the total amount of the contribution. Any unused credit may be carried forward for five years. The taxpayer may not specifically designate their contribution for a particular eligible student. The taxpayer must notify the organization in advance of its intent to make a contribution and the amount of the proposed contribution. The organization must then notify the Department of Revenue of the intent to claim a tax credit. The contribution must be made between 31 and 60 days after notifying the organization.

An eligible student is defined as a Nebraska resident who is or may be enrolled full-time at a qualifying school and who is a dependent member of a household for which the gross income for the most recently concluded calendar year before the student receives a scholarship does not exceed two times the income under the eligibility guidelines for reduced price meals under the National School Lunch Program. The student must also be (1) receiving a scholarship for the first time and is either entering kindergarten or ninth grade or transferring from a public school and is entering any grade or (2) has previously received a scholarship and is continuing education until they graduate from high school or reaches 21 years of age or (3) is the sibling of a student who is receiving a scholarship and resides in the same household.

A qualifying school is defined as any nongovernmental, privately operated elementary or secondary school in this state that is operated not for profit, does not discriminate on the basis of race, color or national origin, complies with all health and life safety laws or codes that apply to privately operated schools and fulfills the applicable accreditation or approval requirements under §79-318.

A scholarship-granting organization must be certified by the Department of Revenue. Such certification requires the organization to be exempt from federal income tax under §501(c) (3) and offer one or more scholarship programs for eligible students without limiting such scholarships to only one qualified school. The organization must allocate at least 90 percent of its revenue for scholarships and no more than 10 percent for administrative costs, or 95 percent and no more than five percent for administrative costs, depending upon the aggregate amount of tax credits.

The aggregate amount of tax credits may not exceed \$10 million for calendar year 2016. For subsequent years, however, the bill's language is unclear as to what the annual limit may be, although additional language anticipates the aggregate amount of tax credits may exceed \$20 million. The percentage of funds allocated for scholarships is measured by a monthly average over the most recent 24 month period, or for an organization that has been certified for less than 24 months, for the period of time the organization has been certified.

The bill contains a severability clause and sets the operative date as taxable year beginning or deemed to begin on or after January 1, 2016.

**Disposition at Sine Die:**

LB 26 is currently in committee.

**LB 62 (Schumacher) Provide an income tax deduction for loan principal payments for graduate degrees**

**Introduced Version:**

The bill creates a new income tax deduction. Federal AGI would be reduced by the amount of principal paid by the taxpayer during the tax year for any qualified education loan to pay for necessary costs to obtain a graduate degree. The deduction would be available for the first ten tax years after obtaining a graduate degree. Payments made on a loan from the Nebraska educational savings plan trust (sections 85-1801 to 85-1814) are not eligible for this deduction.

Qualified education loan is defined as “a loan that is borrowed from or guaranteed by the federal government or a loan that is borrowed from a financial institution, an institution of higher education, a state agency, or a nonprofit organization whose primary purpose is to provide student loans.”

The bill would be operative for tax years beginning or deemed to begin on January 1, 2016.

Note: “Necessary costs” are not defined. There is no language in the bill that would limit the deduction to resident returns. There is no cap on the amount of the deduction.

**Disposition at Sine Die:**

LB 62 is currently in committee.

**LB 64 (Schumacher) Provide an income tax deduction for the income earned from second jobs**

**Introduced Version:**

The bill creates a new income tax deduction for the amount earned by a taxpayer for all secondary jobs. Federal AGI would be reduced up to a maximum exclusion of \$240,000 for married filing jointly and \$120,000 for all other returns if:

- The amount of income from the secondary job is more than 10% but less than 100% of income from the taxpayer’s primary job;
- The amount of income from the taxpayer’s primary job and all secondary jobs equals or exceed such amount from the prior taxable year; and
- The employer for the primary job and secondary job are not related persons.

A primary job is defined to be at least 40 hours per week for at least 48 weeks. Income includes wages, salaries, tips or other payments subject to withholding for federal income tax and meet federal minimum wage requirements.

A secondary job is defined as a job that the taxpayer works in addition to his/her primary job and the taxpayer earns self-employment income or wages, salaries, tips, or other payments which are subject to withholding for federal income tax and meet federal minimum wage requirements.

The bill would be operative for tax years beginning or deemed to begin on January 1, 2016.

**Disposition at Sine Die:**

LB 64 is currently in committee.

**LB 255 (Morfeld) Provide income tax credits for apprenticeships**

**Introduced Version:**

The bill creates a nonrefundable income tax credit for employers participating in a qualified apprenticeship training program administered pursuant to 29 U.S.C. 50 (attached). The credit is calculated based on wages paid per employee but is capped at \$2,000 per employee.

The bill is operative for tax years beginning or deemed to begin on January 1, 2016

**Disposition at Sine Die:**

LB 255 is currently in committee.

**LB 322 (Bolz) Increase child and dependent care tax credits**

**Introduced Version:**

The bill increases the amount of the child and dependent care tax credits. This credit is both refundable and non-refundable and tied to the federal child and dependent care tax credits.

The non-refundable credit is increased from 25 to 30 percent of the federal credit if federal AGI is greater than \$52,000. The AGI threshold is currently \$29,000.

The refundable credit is 100 percent of the federal credit if federal AGI is not greater than \$32,000. The AGI threshold is currently set \$22,000. The credit is 30 percent of the federal credit if federal AGI is greater than \$32,000 but not greater than \$52,000.

Currently, the credit is reduced from 100 percent by 10 percent increments for each \$1,000 by which AGI exceeds \$22,000.

The bill is operative for taxable years beginning or deemed to being on January 1, 2016.

**Committee Amendments: Pending**

AM 809

**Disposition at Sine Die:**

LB 322 was advanced from the committee and will remain on General File.

## **LB 331 (Nordquist) Adopt the Bioscience Impact Opportunity Act**

### **Introduced Version:**

The bill creates the Bioscience Impact Opportunity Act. The Act is modeled after the Nebraska Advantage Act and utilizes many of the same definitions and requirements. “Bioscience” is defined as “the use of compositions, methods and organisms in cellular and molecular research, development and manufacturing processes in areas including pharmaceuticals, medical therapeutics, medical diagnostics, medical devices, medical instruments, biochemistry, microbiology, veterinary medicine, energy, plant biology, agriculture and industrial, environmental and homeland security applications.” A qualified bioscience business means any business engaged in research development or commercialization of bioscience products and technologies.

Taxpayer is defined as any person subject to sales and use taxes and subject to withholding.

Applicants must make an investment in qualified property of at least \$1.5 million and hire at least one new employee whose wages are equal to 150 percent of the Nebraska average annual wage.

Benefits for qualified applicants include:

- A refund of sales and use taxes paid on qualified property;
- A credit equal to six percent times the average wage of new employees multiplied by the number of new employees;
- A credit of 10 percent of the investment in qualified property; and
- An exemption from personal property tax on qualified property.

The credits earned under this bill are “in lieu of” the credits earned in any other tax incentive program. This means any investment or employment used to qualify under this program are subtracted from qualification under the other incentive programs and any investment and employment used to qualify under the other incentive programs are subtracted from qualification under this program. The bill provides for recapture if the taxpayer fails to maintain the required levels of investment and employment.

The credits earned under this program are transferable.

The bill also creates the Bioscience Impact Opportunity Grant Fund. The program is to be administered by an 11 member board, including:

- Chairpersons of the Agriculture and Appropriations Committees as non-voting members;
- Director of DED;
- President of the University Technology Development Corporation;
- Vice-Chancellor, University of Nebraska Institute of Agriculture and Natural Resources;
- Executive Director, Bio Nebraska Life Sciences Association; and
- Five members appointed by the Governor.

Grants may be awarded for up to \$250,000 per year for three years. \$2 million is to be appropriated annually to the fund.

The bill provides an operative date of January 1, 2016.

**Disposition at Sine Die:**

LB 331 is currently in committee.

**LB 372 (Craighead) Adopt the First-time Home Buyer Savings Plan Act and provide income tax adjustments**

**Introduced Version:**

The bill creates the First-time Home Buyer Savings Plan Act. Account holder is defined as an individual who individually or jointly establishes an account with a financial institution for which the account holder claims a first-time home buyer's savings account status on his or her state income tax return. A maximum of \$50,000 may be contributed to the account for these purposes. A first-time home buyer may then draw funds from the account to pay "eligible costs" which is defined as the down payment and allowable closing costs on settlement statement for the purchase of a single-family home in this state.

Any interest or other income earned on the account is not subject to tax. The bill also provides penalties for use of funds for other than eligible costs.

The bill is operative for taxable years beginning or deemed to being on January 1, 2016.

**Disposition at Sine Die:**

LB 372 is currently in committee.

**LB 396 (Riepe) Allow an income tax credit for certain long-term insurance policy**

**Introduced Version:**

The bill would create a non-refundable individual income tax credit for premiums paid for long-term care insurance.

Current law allows a deduction under the Nebraska Long-Term Care Savings Plan for the amount contributed to the owner's account, not to exceed the maximum contribution amount of \$1,000 (or \$2,000 if married, filing jointly). Any interest earned on contributions to the account may also be deducted up to the extent the interest is included in federal AGI.

The bill would allow a credit for 25% of the premiums paid for one or more policies issued on or after January 1, 2016. The credit is limited to "a maximum of three tax years" and may not be used by a person utilizing the deductions described above. The credit may not exceed the lesser of (1) \$250 for an individual policy or \$500 for a joint policy or (2) the taxpayer's total income tax liability. Any unused credit may not be carried forward.

The bill sets an operative date for all taxable years beginning or deemed to begin on January 1, 2016.

**Disposition at Sine Die:**

LB 396 is currently in committee.

## **LB 423 (Nordquist) Change a renewable energy tax credit**

### **Introduced Version:**

The bill would substantially alter the existing Renewable Energy Tax Credit program.

Under current law, any producer of electricity generated by a renewable generation facility located in Nebraska that was first placed in operation on or after July 14, 2006, is eligible for a tax credit. The credit for 2013 is \$0.00050 per kilowatt-hour for electricity generated at the facility. For 2008 and 2009, the credit was \$0.001 per kilowatt-hour of electricity generated at the facility; and for 2010, 2011, and 2012, it was \$0.0075 per kilowatt-hour.

To qualify, the facility must use wind, moving water, solar, geothermal, fuel cell, methane gas, or photovoltaic technology as its fuel source. The credit may be earned for up to 10 years after the date the facility is first placed in operation. The total amount of credits that may be used by all taxpayers for all years is limited to \$50,000. The credit may be used against the producer's income tax liability or to obtain a refund of sales and use tax paid by the producer, either directly or indirectly. A separate sales and use tax exemption applies to "qualified" personal property used in a C-BED project or community-based energy development project under §77-2704.57. C-BED projects that qualify for the sales tax exemption are not eligible for the credit.

The bill would limit the credit to C-BED projects only, using wind, solar, biomass, or landfill gas as the fuel source for a facility that begins commercial operation on or after the effective date of the bill. (The bill contains neither an effective date nor the emergency clause.) The amount of the credit could be calculated under one of two options, which must be selected by the producer:

Option One: 1.5 cents for each kilowatt-hour of electricity generated during the first 10 years of operation. If this option is selected, the producer must notify the Department of Revenue before it completes the first 10 years of commercial operation; or

Option Two: A one-time credit of 30% of the total cost of construction of the facility, not to exceed \$2 million. If this option is selected, the producer must notify the Department of Revenue within one year after commencing commercial operation.

The credit would be fully transferable and could be carried forward for seven years. The credit may be used against individual, corporate, franchise (bank deposits), and insurance premium and retaliatory taxes. The bill repeals use of the credit to obtain a sales tax refund, but not the sales tax exemption under §77-2704.57.

### **Committee Amendment: Adopted**

AM 1103 becomes the bill.

The amendment reduces the amount of the per kilowatt credit from 1.5 cents to a sliding scale of 1 cent for the first two years down to 0.6 cents for the last two years. The amendment also limits the transferability of credits to credits earned by facilities of twenty megawatts or less. It also clarifies that the credits may be used to offset income, premiums and financial institution taxes.

The Department of Revenue must be notified within fifteen calendar days of the transfer of any credits. The credit carry forward is reduced from seven years to five years.

The amendment provides that generating equipment located within one mile of other generating equipment of the same type and power source is treated as part of a single facility. An annual reporting requirement is imposed regarding the actual production at the facility for the previous year

**Disposition at Sine Die:**

LB 423 advanced from the committee, but failed to advance from Select File.

**LB 470 (Hansen) Provide an income tax credit for caregivers**

**Introduced Version:**

The bill creates a new \$500 credit against individual income tax for caregivers who are qualified resident individuals which may be non-refundable or refundable.

The non-refundable credit is available to such individuals if:

- Federal AGI is more than 200% of federal poverty guidelines but not more than 400%;
- No credit has been claimed under the federal elderly and disabled credit program (IRC §22); and
- They care for another person who:
  - Resided at the same residence for at least 6 months during the tax year;
  - Is physically or mentally incapable of caring for themselves; and
  - Has income that does not exceed 200% of federal poverty guidelines.

The refundable credit is available to such individuals if:

- Federal AGI is not more than 200% of federal poverty guidelines; and
- They care for another person who:
  - Resided at the same residence for at least 6 months during the tax year;
  - Is physically or mentally incapable of caring for themselves; and
  - Has income that does not exceed 200% of federal poverty guidelines.

The bill is operative for taxable years beginning or deemed to being on January 1, 2016.

**Disposition at Sine Die:**

LB 470 is currently in committee.

**LB 495 (Pansing Brooks) Increase the earned income tax credit**

**Introduced Version:**

The bill increases the refundable earned income tax credit for Nebraska purposes, which is calculated as a percentage of the federal credit (IRC §32). The current credit is 10% and increases to 13% and 15%, respectively, for taxable years beginning or deemed to begin on or after January 1, 2016 and January 1, 2017.

**Disposition at Sine Die:**

LB 470 is currently in committee.

## **LB 510 (Cook) Provide an income tax credit to employers of public assistance recipients**

### **Introduced Version:**

The bill creates a non-refundable credit for employers of certain “eligible employees” against individual and corporate income tax. “Eligible employee” means an individual who is a member of a family that received benefits under the federal Temporary Assistance to Needy Families for any nine months of the 18 month period immediately prior to the employee’s hiring date.

The credit is available for taxable years beginning or deemed to begin on January 1, 2016 and may only be claimed for two tax years. The credit amount is 20% of annual expenditures for the following services provided to eligible employees:

1. Tuition at a Nebraska public institution of postsecondary education;
2. Provision of child care services; or
3. Transportation programs to and from work.

The Department of Revenue is given reporting requirements.

### **Committee Amendment: Pending**

AM 732 would add the costs of a high school equivalency program as an eligible annual expenditure.

### **Disposition at Sine Die:**

LB 510 was advanced from the committee and will remain on General File.

## **LB 559 (Schumacher) Change provisions relating to the treatment of tax credits under the New Markets Job Growth Investment Act**

### **Introduced Version:**

Insurance companies are statutorily subject to the corporate income tax. However, most insurers pay tax on premiums and related retaliatory taxes and receive a credit against the corporate income tax for such taxes. The bill clarifies that credits claimed under the New Markets Job Growth Investment Act shall be considered a “payment of tax” for purposes of calculating “taxes paid” as a credit against the corporate income tax for insurers paying premium taxes and related retaliatory taxes.

The bill contains an emergency clause.

### **Disposition at Sine Die:**

LB 559 passed on Final Reading with Emergency Clause 45-0-4, and was approved by the Governor on May 27, 2015.

## **LB 573 (Davis) Adopt the Health Enterprise Zone Act and provide for tax credits**

### **Introduced Version:**

The bill creates the Health Enterprise Zone Act and Fund and appropriates \$1.8 million to the fund in fiscal years 2015-16, 2016-17, and 2017-18. Qualified taxpayers are entitled to a refundable credit of 100 percent of their expenditures during the tax year related to employing health care professionals or support personnel if the positions are full-time and

did not exist in the prior tax year. Pass-through entities must have 90 percent ownership by persons who are subject to Nebraska income tax. The credits may be applied against individual and corporate income tax.

The bill creates a board to advise the University of Nebraska Medical Center regarding the pilot project to create zones. Local public health departments may apply to establish a zone within its geographically defined community. To be approved, the applicant must show:

1. Measurable and documented health disparities and poor health outcome in the zone;
2. That the zone is small enough to allow for the incentives offered under the Act to have a significant impact on improving health outcomes and reducing health disparities;
3. An effective and sustainable plan to reduce health disparities, reduce costs or produce savings to the health care system and improve health outcomes, including the intended use of health services delivery, effectuate community improvements, or conduct outreach and education efforts; and
4. Evidence of a local match of funds committed for the amount requested from this fund in a ratio of one to two so that one-third of the funding for the incentive would be provided by a local match and two-thirds would be provided by this fund.

The bill lists the criteria to be considered by the board in approving applications. Once an applicant has been approved and a zone created, the applicant may award grants to health care facilities and professionals that provide services within the zone for patients who are uninsured and for whom reimbursement is provided under the Medical Assistance Act. The grant applicant must establish that they own or lease a health care facility and provide services from that facility.

An annual report is required each December 15 and in year three of the pilot project shall compare data to baseline data obtained during the first year of the pilot.

The bill contains an emergency clause.

**Disposition at Sine Die:**

LB 573 is currently in committee.

**LB 645 (Nordquist) Adopt the Early Childhood Workforce Development Opportunity Act and provide tax credits**

**Introduced Version:**

The bill creates the Early Childhood Workforce Development Opportunity Act.

The bill creates a nonrefundable tax credit for contributions to one or more qualified granting organizations. The credit is available against individual (including estates and trusts) and corporate income tax, up to 20 percent of the total amount of the contribution. Any unused credit may be carried forward for five years. The taxpayer may not specifically designate their contribution for a particular eligible recipient. The taxpayer must notify the organization in advance of its intent to make a contribution and the amount of the proposed contribution. The organization must then request approval from the

Department of Revenue for the tax credit. The contribution must be made within 30 days after receiving notice from the organization of the preapproved amount.

An eligible recipient is defined as a Nebraska resident who is an employee of a Nebraska early childhood care and education program participating in the Step Up to Quality Child Care Act at a quality scale rating of step two or higher that serves a minimum annual average of 30 percent of its total enrolled child population through the federal child care assistance program under 42 U.S.C. 618.

A qualified granting organization is defined as a charitable organization in this state that is exempt under §501(c)(3) and is certified pursuant to section 3 of the bill to provide tax-credit-supported early childhood education and retention incentive grants to eligible recipients. The organization must allocate at least 95 percent of its revenue to eligible recipients and no more than five percent for its administrative costs. It must be certified by the State Department of Education.

The aggregate amount of tax credits is:

2016	\$300,000
2017	\$500,000
2018	\$750,000
2019-Forward	\$1,000,000

The operative date is January 1, 2016.

**Disposition at Sine Die:**

LB 645 is currently in committee.

## Miscellaneous – 2015

### **LB 68 (Schumacher) Eliminate stepped-up basis of inherited real estate**

#### **Introduced Version:**

The bill addresses the issue of taxing gains on the sale of real estate. In general, when real estate is sold, the taxable gain is the difference between the sellers basis in the property (what they originally paid for the property) and the proceeds received from the buyer. However, under federal law, real estate acquired from a decedent is given special treatment when it is sold. The recipient of the property is allowed to “step up” their basis from what the decedent paid for the property to the fair market value of the property at the date of the decedent’s death.

The bill would disallow this special treatment for Nebraska income tax purposes. It would require the recipient who sells such inherited property to use the original basis of the decedent rather than fair market value at date of death. This will result in a much larger taxable gain. Taxpayers would be required to add back the larger amount of taxable gain to federal AGI when calculating Nebraska income tax.

The additional income taxes generated by the add-back requirement would not flow to the General Fund but would be diverted to the Property Tax Credit Cash Fund.

The bill is operative for taxable years beginning or deemed to begin on January 1, 2016.

#### **Disposition at Sine Die:**

LB 68 is currently in committee.

### **LB 70 (Schumacher) Authorize an occupation tax on certain mechanical amusement devices**

#### **Introduced Version:**

This bill would allow a city, village, or county to levy an occupation tax on a business that operates a mechanical amusement device that awards a monetary prize or anything redeemable for a monetary prize.

The Tax Commissioner will collect the occupation tax and remit the monthly proceeds to the city, village or county that levies the tax.

The occupation tax will be equal to 10 percent of the gross revenue derived from the mechanical amusement device.

#### **Committee Amendments: Adopted**

AM 118 clarifies the type of mechanical amusement device that will be subject to the additional occupation tax and to change the imposition of the tax from the city or county level to the state.

#### **Disposition at Sine Die:**

LB 70 was passed on Final Reading with the Emergency Clause 35-11-3. LB 70 was vetoed by the Governor on May 27, 2015. No motion to override the veto was filed.

## **LB 73 (Schumacher) Adopt the Modern Tax Act**

### **Introduced Version:**

The bill creates the Modern Tax Act which imposes a tax of 5.5 percent on interest paid on loans. The tax would be the obligation of the debtor but would be collected by lender. The tax would be due at the same time as any regularly scheduled payment on the loan. Loans subject to the tax include mortgages, auto loans, commercial paper and any loans secured by filing under the Uniform Commercial Code, but excludes government loans or publicly traded bonds.

The effective date of the bill is January 1, 2016.

Notes:

- The tax is not specifically designated as a sales tax or any other type of tax. However, such a tax could be interpreted as a property tax on intangible property. The Nebraska Constitution still contains two provisions addressing intangible taxation, although such taxes were repealed from statute in 1967.
- The two constitutional provisions allow the Legislature to classify intangibles and tax the classes created at varying rates. They also provided specific exemptions for pension, profit-sharing and other employee benefit plans, life insurance and annuity contracts and retirement funds.

### **Disposition at Sine Die:**

LB 73 is currently in committee.

## **LB 123 (Schumacher) Change provisions relating to the payment of warrants**

### **Introduced Version:**

The bill covers warrants issued by the State Treasurer or the treasurer of any county, city, school district, learning community, or other municipal corporation. Current law requires the warrants to be registered in their order of presentation. The bill would clarify that warrants are to be registered according to the proper fund and will be paid from the proper fund, when there is sufficient money in the fund.

The bill also changes references to “his” and “his or her” to “the treasurer.”

No operative date is stated.

### **Disposition at Sine Die:**

LB 123 was passed on Final Reading 47-0-2, and was approved by the Governor on May 26, 2015

**LB 156 (Stinner) Change the amount of credits allowed and reporting requirements under the Angel Investment Tax Credit Act**

**Introduced Version:**

The bill increases the annual limit on funds available for distribution under the Angel Investment Tax Credit Act. The program is currently capped at \$3,000,000 per year and the bill would raise this amount to \$5,000,000. Angel Investment credits are refundable.

The bill does not specify an operative date.

**Committee Amendments: Adopted**

AM 645 limits the increase in funding from two million dollars to one million dollars.

**Disposition at Sine Die:**

LB 156 passed on Final Reading with Emergency Clause 46-0-3, and was approved by the Governor on May 27, 2015.

**LB 162 (Schumacher) Change provisions relating to sales of real property for nonpayment of taxes**

**Introduced Version:**

This bill refers to tax sales certificates. It affects the rate of interest a land bank may bid for property being sold due to nonpayment of taxes. The bill repeals the round robin format for conducting the sale of tax certificates.

New language in the bill would prohibit bidders purchasing property due to nonpayment of taxes at a public auction from colluding to obtain a more favorable interest rate.

**Disposition at Sine Die:**

LB 162 is currently in committee.

**LB 170 (Gloor) Change distribution of the Sports Arena Facility Support Fund**

**Introduced Version:**

In 2014, LB867 passed containing, among other provisions, a change in the timing of distributions to the City of Ralston under the Sports Arena Financing Assistance Act. In addition to the transfer of certain funds to the City of Ralston, the Act requires:

**§13-3108** (9) The thirty percent of state sales tax revenue remaining after the appropriation and transfer in subsection (3) of this section shall be appropriated by the Legislature to the Civic and Community Center Financing Fund.

LB867 did not change the timing of the transfer of this portion of the funds. A request was received from the office the State Treasurer to make the same timing change apply to this transfer of funds so as to allow the Treasurer to make all transfers from the fund at the same time.

**Disposition at Sine Die:**

LB 170 passed on Final Reading 49-0-0, and was approved by the Governor on February 26, 2015.

## **LB 171 (Gloor) Update references to the Internal Revenue Code**

### **Introduced Version:**

Nebraska conforms its tax statutes to the Internal Revenue Code, with some exceptions. This is the annual conformity bill which conforms our code to the IRC as it exists on a date certain. That date is the effective date of the bill.

### **Disposition at Sine Die:**

LB 171 was passed on Final Reading 49-0-0, and was approved by the Governor on February 26, 2015.

## **LB 201 (Davis) Change provisions relating to uranium severance taxes**

### **Introduced Version:**

No summary available.

### **Disposition at Sine Die:**

LB 201 was withdrawn by the introducer on January 23, 2015.

## **LB 246 (Sullivan) Redefine a term under the Nebraska Advantage Microenterprise Tax Credit Act**

### **Introduced Version:**

The bill amends the definition of a microbusiness under the Nebraska Advantage Microenterprise Tax Credit Act. Currently, a farm or livestock operation is disqualified if the person “actively engaged” in the operation of the microbusiness has a net worth of \$350,000. The bill would increase this limit to \$500,000 of net worth.

### **Disposition at Sine Die:**

LB 246 was passed on Final Reading 47-0-2, and was approved by the Governor on May 26, 2015.

## **LB 260 (Gloor) Authorize the Property Tax Administrator to correct certain errors**

### **Introduced Version:**

The bill would allow the Property Tax Administrator to correct errors affecting valuation of centrally assessed property. Such corrections are not currently allowed once the value is certified to the county or the tax was distributed to the county. The PTA would be authorized to correct such errors with three years of certification and/or distribution.

The bill contains the emergency clause.

### **Disposition at Sine Die:**

LB 260 passed on Final Reading with Emergency Clause 46-0-3, and was approved by the Governor on March 5, 2015.

## **LB 261 (Gloor) Change revenue and taxation provisions**

### **Introduced Version:**

This bill is the Department of Revenue's annual technical corrections bill. It addresses the following:

1. Remove obsolete references to the Property Tax Administrator assuming the assessment duties for certain counties (page 1 lines 13-17, page 5 lines 4-6, page 7 line 7, page 11 lines 16-18, page 13 line 3, page 24 lines 5-8);
2. Removes unnecessary language regarding disclosure of tobacco tax information, which is not confidential (page 8 lines 16-21, page 14 lines 30-31, page 15 line 1);
3. Corrects language from LB402 (2014) defining "qualified owner" under the Community-Based Energy Development Act, by removing the requirement that all members of an LLC must be Nebraska residents, as shareholders of traditional C corporations are not required to be Nebraska residents (page 10 lines 27 and 28) and to include domestic corporations organized under both the Business Corporation Act and the Model Business Corporation Act (page 11 line 8);
4. Clarifies that miscellaneous tax information may be disclosed to other tax or law enforcement agencies (page 11 lines 25-28, page 16 lines 9-11);
5. Clarifies that air carriers property is protected from discriminatory taxation in a similar manner as railroad and other public utilities under federal law (page 12 lines 5-25);
6. Clarifies that interest will not be paid on refunds for a renewable electric generation facility (page 17 lines 30-31) or under the historic preservation credit (page 18 lines 14-15);

The bill contains the emergency clause.

### **Committee Amendments: Adopted**

AM 44 strikes sections 5 and 18 to remove unnecessary changes to ownership requirements under Rural Community-Based Energy Development Act.

### **Disposition at Sine Die:**

LB 261 passed on Final Reading with Emergency Clause 47-0-2, and was approved by the Governor on March 5, 2015.

## **LB 321 (Bolz) Adopt the Nebraska Industrial New Job-training Act and authorize certain payments and taxes**

### **Introduced Version:**

The bill creates the Nebraska Industrial New Job-training Act. Under the Act, employers who create new jobs in Nebraska will be authorized to contract with a community college to provide training for the new employees. The funding for such contracts will be the state income tax withholding for the new employee that would otherwise be due to the State. The withholding would instead be paid to the community college. The amount of the withholding is based on the amount of wages paid to the new employee multiplied by 1 ½ or 3 percent. The community college is authorized to issue bond certificates to cover

the costs of the training and the withholding payments would be used to retire the principal and interest on the bond certificates.

Participants must be engaged in the businesses of manufacturing, processing, or assembling products, conducting research and development, operating e-fulfillment centers or providing services. Excluded from participating are business engaged in retail, health or professional services. A business that closes or substantially reduces its operation in one area of the state and relocates substantially the same operation to another area of the state is excluded.

The bill provides specific authority and restrictions upon the governing board of a community college with respect to issuing, refunding or exchanging bonds for an approved projects. Bonds may be issued for a single project or multiple projects. The community colleges are required to make a special annual property tax assessment not to exceed two cents per \$100 of taxable value and maintain this “standby tax” to retire the bonds, if necessary.

Applications are to be made to the Department of Economic Development (“DED”) which is authorized to approve the projects that meet certain requirements. Agreements may then be executed between the community college and the employer. However, the Department of Revenue (“DOR”) is required to develop a tracking system for the agreements. Both the employer and the community college are required to file reports with DOR substantiating the amount of withholding diverted for the projects. If an agreement requires any payments to be made by the employer, such payments become liens against the business property until paid. Community colleges are required to file reports with DED, DED is required to file an annual report with the Revenue Committee, as is DOR. DED may promulgate regulations.

The bill defines relevant terms, including but not limited to, Nebraska average wage, new job and project costs.

The bill does not contain an effective date.

**Disposition at Sine Die:**

LB 321 is currently in committee.

**LB 408 (Kolterman) Eliminate provisions relating to penalties for corporations and companies that fail to pay taxes**

**Introduced Version:**

The bill would change the criminal penalty provisions for willful failure by a corporation or any company to pay taxes which have become delinquent. §77-1726 provides for specific notice to the corporate officer or agent regarding the delinquent tax by the county treasurer. Failure to pay after notification by the treasurer allows for prosecution as a Class IV felony. The bill would change the charge to a Class IV misdemeanor if the delinquent tax is less than \$1,000.

**Committee Amendments: Adopted**

AM 586 becomes the bill and outright repeals this provision of statute. County treasurers would therefore no longer be required to comply with this section.

## **Disposition at Sine Die:**

LB 408 passed on Final Reading 46-0-3, and was approved by the Governor on May 26, 2015.

## **LB 538 (Legislative Performance Audit Committee) Require audits of tax incentive programs under the Legislative Performance Audit Act and change tax incentive sunset dates**

### **Introduced Version:**

The bill makes numerous changes to the performance audit of tax incentive programs:

- It defines the term “tax incentive performance audit” as an evaluation of tax incentive programs under §50-1209, which provides that “Upon approval of an audit plan pursuant to section 50-1208, the agency shall be notified in writing of the specific scope of the audit and the projected deadline for completion of the office's report. If the office needs information from a political subdivision or entity thereof to effectively conduct a performance audit of an agency, the political subdivision or entity thereof shall provide information, on request, to the office”;
- It adds the chair of the Revenue Committee and one other member of the committee as nonvoting members of the Performance Audit Committee for tax incentive performance audits;
- It requires tax incentive audits to be initiated as provided in §50-1209;
- It amends §50-1208 by again providing that “Upon approval of the audit plan, the agency shall be notified in writing of the specific scope of the audit and the projected deadline for completion of the office's report. If the office needs information from a political subdivision or entity thereof to effectively conduct a performance audit of an agency, the political subdivision or entity thereof shall provide information, on request, to the office.”;
- It provides that tax incentive performance audits shall be conducted by the office of Legislative Audit (“the office”) on all existing tax incentive programs and “any other tax incentive program created by the Legislature for the purpose of recruitment or retention of businesses in Nebraska”;
- In determining whether a future tax incentive program is for the purpose of recruitment or retention of businesses in Nebraska, the office “shall consider legislative intent, including legislative statements of purpose and goals and may consider whether the program is promoted as a business incentive by the Department of Economic Development” or other state agency;
- It requires the office to develop and update a schedule for conducting performance audits of tax incentive programs so that each program is audited at least once every three years;
- Each tax incentive performance audit shall include an analysis of whether the program is meeting the following goals:

- Strengthening the state’s economy by attracting new business, expanding existing business, increasing employment, creating high-quality jobs and increased business investment;
  - Revitalizing rural and other distressed areas;
  - Diversifying the state’s economy and stimulating entrepreneurial, high-tech, and renewable energy firms;
  - Any other program-specific goals in the statutes;
  - An analysis of economic and fiscal impacts, including the extent to which tax incentives change business behavior, positive direct and indirect impacts, negative effects on other Nebraska businesses, and a comparison of results of other economic development strategies;
  - An assessment of whether adequate protections are in place to ensure fiscal impact of incentives does not increase beyond the state’s expectations in future years;
  - An assessment of fiscal impact to local governments; and
  - Recommendations for changes to allow ease of evaluations;
- Each tax incentive performance audit report is to be presented to a joint hearing of the Appropriations and Revenue Committees.
  - It amends §50-1212 to allow the Performance Audit Committee to waive the requirement for agencies to provide a written implementation plan to accomplish each of the recommendations in the committee report.

Finally, the bill extends the sunset dates for three of the tiers under the Nebraska Advantage Act as follows:

Tier 1 is extended from 2017 to 2019;

Tier 3 is extended from 2017 to 2019; and

Tier 6 is extended from 2018 to 2020.

The bill contains an operative date of January 1, 2016.

**Disposition at Sine Die:**

LB 538, amended by AM944, did not change the sunset dates on Tier 1, Tier 3 or Tier 6, and it included a December 31, 2019 sunset date on new applications for the New Markets Job Growth Investment Act, the Nebraska Advantage Rural Development Act, and the Nebraska Job Creation and Mainstreet Revitalization Act. LB 538 passed on Final Reading 46-0-3, and was approved by the Governor on May 27, 2015.

**LB 550 (B. Harr) Change provisions relating to the Municipal Equalization Fund**

**Introduced Version:**

This bill would repeal the 3 percent administrative fee deducted from the sales and use tax collections that is currently remitted to the Municipal Equalization Fund (MEF).

The General Fund will supplement MEF if the amount of monies in MEF is less than the state aid for all municipalities. The supplement from the General Fund will be limited to the equivalent of 3 percent of the sale and use tax collected by the Tax Commissioner. If the supplemental monies from the General Fund are still less than the amount of state aid required, MEF payments shall be prorated.

The bill contains an operative date of October 1, 2015

**Disposition at Sine Die:**

LB 550 is currently in committee.

**LB 587 (McCollister) Change the motor vehicle tax schedules**

**Introduced Version:**

This bill would change the motor vehicle tax for tax year 2016 and tax year 2017. Motor vehicle taxes are calculated by multiplying the base tax by the fraction that corresponds to the age of the vehicle. The current rates are applied until a vehicle is 14 years old.

For tax year 2016, the fractions are reduced for the first 13 years of a vehicle's life. For tax year 2016, the fractions are reduced until the 10<sup>th</sup> year. For tax year 2017, vehicles are only taxed through the first 11 years of the vehicle's life.

Current Rate		Tax Year 2016 Rate		Tax Year 2017 & After Rate	
Year	Fraction	Year	Fraction	Year	Fraction
First	1.00	First	0.95	First	0.95
Second	0.90	Second	0.85	Second	0.85
Third	0.80	Third	0.75	Third	0.75
Fourth	0.70	Fourth	0.65	Fourth	0.65
Fifth	0.60	Fifth	0.55	Fifth	0.55
Sixth	0.51	Sixth	0.45	Sixth	0.45
Seventh	0.42	Seventh	0.35	Seventh	0.35
Eighth	0.33	Eighth	0.25	Eighth	0.25
Ninth	0.24	Ninth	0.20	Ninth	0.20
Tenth & Eleventh	0.15	Tenth	0.15	Tenth	0.15
		Eleventh	0.10	Eleventh	0.10
Twelfth & Thirteenth	0.07	Twelfth & Thirteenth	0.07	Twelfth & Older	0.00
Fourteenth & Older	0.00	Fourteenth & Older	0.00		

The bill contains an operative date of January 1, 2016.

**Disposition at Sine Die:**

LB 587 is currently in committee.

**LB 608 (Mello) Change revenue and taxation provisions**

**Introduced Version:**

The bill exempts property which is acquired by a person operating within a workforce development zone from the property tax. A workforce development zone is defined as “a place in which Nebraska’s academic institutions and the private sector collaborate to strengthen and enhance Nebraska’s investment in its education system to promote career development and vocational training, and to create good jobs aimed at keeping the children of Nebraskans in Nebraska while also attracting talent and private sector investment from across the country.”

The bill changes the due date for filing personal property tax returns from May 1 of each year to May 15. All subsequent references in the property tax statutes to the date May 1 are changed to May 15. It amends the sales and use tax statutes to require all retailers to maintain their records for four years instead of three.

The bill requires the Auditor of Public Accounts and the Legislative Auditor to provide the Tax Commissioner with 60 days’ notice rather than 30 days’ notice of the beginning of an audit.

The bill sets the operative date as January 1, 2016.

**Disposition at Sine Die:**

LB 608 is currently in committee.

**LB 610 (Smith) Change motor fuel excise taxes**

**Introduced Version:**

This bill gradually increase the portion of the gas tax allocated to the Department of Roads. The current tax is 7.5 cents per gallon.

Through December 31, 2015	7.5 cents per gallon
January 1, 2016 through December 31, 2016	8 cents per gallon
January 1, 2017 through December 31, 2017	8.5 cents per gallon
January 1, 2018 through December 31, 2018	9 cents per gallon
January 1, 2019 and thereafter	9.5 cents per gallon

The bill gradually increases the portion of the gas tax allocated to cities and counties. The current tax is 2.8 cents.

Through December 31, 2015	2.8 cents per gallon
January 1, 2016 through December 31, 2016	3.8 cents per gallon
January 1, 2017 through December 31, 2017	4.8 cents per gallon
January 1, 2018 through December 31, 2018	5.8 cents per gallon

January 1, 2019 and thereafter	6.8 cents per gallon
--------------------------------	----------------------

**Disposition at Sine Die:**

LB 610 passed on Final Reading 26-15-8, and was vetoed by the Governor on May 7, 2015. A motion to override the Governor's veto was filed. LB 610 was passed notwithstanding the objections of the Governor, 30-16-3.